ILEMBE DISTRICT MUNICIPALITY

UNAUDITED ANNUAL FINANCIAL STATEMENT

30 JUNE 2020

Unaudited Annual Financial Statements
for

ILEMBE DISTRICT MUNICIPALITY - DC29

For the period ended 30 June 2020

Province:	KwaZulu Natal
AFS rounding:	*R (i.e. only cents)*

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ILEMBE DISTRICT MUNICIPALITY
UNAUDITED ANNUAL FINANCIAL STATEMENTS
For the period ended 30 June 2020

General information

Legal Form of Entity	Municipality
Nature of Business and Principal Activiti	Medium Capacity, Category C, District Municipality

His Worship, Councillor Siduduzo Siegsriec	**Mayor**
Councillor Monitha Dolly Shandu	**Deputy Mayor**
Councillor Sphesihle Basil Zulu	**Speaker**
Councillor Lucky Regionald Makhathini	**Speaker - Resigned**
Councillor Sandeep Oudhram	Member of the Executive Committee
Councillor Musawenkosi Aubrey Maphumu	Member of the Executive Committee
Councillor Aubrey Mtolo Baardman	Member of the Executive Committee
Councillor Andrew Gopaul	Member of the Executive Committee
Councillor Angel Lindiwe Nzama	*Member*
Councillor Maureen Zola Mhlongo	*Member*
Councillor Sibongile Florence Ntuli	*Member*
Councillor Catherine Tholakele Khumalo	*Member*
Councillor Makhosini Desmond Mpofu	*Member*
Councillor Ntombenhle Cynthia Nene	*Member*
Councillor Musawenkosi Simeon Ntuli	*Member*
Councillor Madhum S Singh	*Member*
Councillor Innocent Ndumiso Vilakazi	*Member*
Councillor Muzi Emmanuel Ngidi	*Member*
Councillor Innocentia Phumelele Dube	*Member*
Councillor Radiwaath Singh	*Member*
Councillor Thandeka Sinenhlanhla Ngidi	*Member*
Councillor James Gabangani Van Whye	*Member*
Councillor Thuthukani Raymond Ngema	*Member*
Councillor Mamazane Veronica Shezi	*Member*
Councillor Silindile Zondi	*Member*
Councillor TS Jali	*Member*
Councillor Happiness Nonhlanhla Ngcobo	*Member*
Councillor Mazwi Nhlakanipho Gwamanda	*Member*
Councillor Sakhephi Mdumiseni Michael Dl	*Member*
Councillor Nyathikazi S.Z	*Member*
Councillor Andile Mazwi Gwala	*Member*
Councillor Malindi Virginia Mhlongo	*Member*
Councillor Gloria Nompumelelo	*Member*
Councillor David Mthokozisi	*Member*

Former Speaker	Councillor Lucky Regionald Makhathini resigned on the 30th of September 2019
Grading of Local Authority	Five
Auditors	The Auditor-General, South Africa
Bankers	First National Bank

General information (continued)

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ILEMBE DISTRICT MUNICIPALITY DC 29

AUDITED ANNUAL FINANCIAL STATEMENTS

For the period ended 30 June 2020
Accounting Officer's Statement

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data. The annual financial statements were prepared in accordance with Standards of Generally Recognised Ac-counting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. I, as the Accounting Officer (accounting authority), acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints I am of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. I have has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements are prepared on the basis that the municipality is a going concern and that the ILembe District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors. I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 23 and 24 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Accounting Officer

Date: 30 October 2020

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED ANNUAL FINANCIAL STATEMENTS
For the period ended 30 June 2020

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ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	2020 R	2019 R Restated
ASSETS			
Current Assets			
Cash and cash equivalents	3	226,286,063	174,702,791
Current term Investments	8	-	28,719,789
Trade and other receivables from exchange transactions	2	148,409,852	116,313,321
Inventories	6	10,239,265	9,565,378
Total current assets		**384,935,181**	**329,301,278**
Non-current assets			
Non-current receivables	7	608,281	516,214
Other non-current financial assets	5	100	100
Property, plant and equipment	10	2,631,695,479	2,504,166,575
Intangible assets	12	4,229,101	6,094,289
Heritage Assets	11	205,578	205,578
Total non-current assets		**2,636,738,539**	**2,510,982,755**
Total assets		**3,021,673,720**	**2,840,284,034**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	13	252,891,465	210,895,433
Trade and other payables from non - exchange transactions	14	40,854,569	76,719,688
Current portion of borrowings	15	6,765,575	37,342,526
Current portion of finance lease liability	16.1	14,446,227	1,867,971
Current portion of financial liability:Umngeni Water CUC	35	6,526,523	-
Current portion of employee benefits	36	1,465,136	1,494,983
Total current current liabilities		**322,949,495**	**328,320,600**
Non-current liabilities			
Non-current borrowings	15	33,183,941	38,545,953
Non-current finance lease liability	16.1	24,495,098	314,989
Non-current financial liabilities:Umngeni Water CUC	35	71,791,751	42,605,405
Employee benefits	36	11,054,222	10,592,237
Total non-current liabilities		**140,525,011**	**92,058,584**
Total liabilities		**463,474,506**	**420,379,185**
Net assets		**2,558,199,214**	**2,419,904,849**
Accumulated surplus		2,558,199,214	2,419,904,849
Total net assets		**2,558,199,214**	**2,419,904,849**

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF FINANCIAL PERFORMANCE
For the period ended 30 June 2020

	Note	2020 R	2019 R
Revenue from exchange transactions		**242,213,051**	**197,598,234**
Service charges	17	185,884,249	153,140,616
Rental of facilities and equipment	18	-	22,689
Interest earned - external investments	19	16,169,830	12,284,945
Interest earned - outstanding receivables	20	31,815,326	25,768,686
Other income	22	8,343,646	6,381,298
Revenue from non exchange transactions		**11,149,324**	**175,075**
Fines and Penalties	22.2	125,187	175,075
Public contributions and donations	22.3	11,024,137	-
Transfer revenue		**857,410,084**	**790,111,215**
Government grants and subsidies	21	857,410,084	790,111,215
Total revenue		**1,110,772,459**	**987,884,525**
Expenses			
Employee related costs	23	205,364,844	202,180,059
Remuneration of councillors	24	8,877,406	8,603,847
Bad debts	2	79,008,029	65,022,454
Depreciation, impairment and amortisation	25	115,358,509	104,329,755
Finance costs	26	8,750,085	8,154,624
Bulk purchases	27	206,635,327	150,578,471
Contracted services	28	208,845,804	119,319,073
General expenses	29	139,557,114	136,109,877
Total expenses		**972,397,118**	**794,298,161**
Gain / (loss) on sale of assets	29.2	220,829	(6,916,516)
Forex gain/(loss)	34.7.5	(301,728)	(72,550)
Surplus / (deficit) for the period		**138,294,443**	**186,597,298**

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS
For the period ended 30 June 2020

	Note	IDM Accumulated Surplus/(Deficit) Total
		R
Balance at 30 June 2018		**2,241,375,721**
Restated surplus for the year		
Prior year adjustments	30	(7,758,650)
Restated balance		**2,233,617,071**
Transfers to / from accumulated surplus/(deficit)		(309,598)
Surplus / (deficit) for the year		186,597,298
Balance at 30 June 2019 - Restated		**2,419,904,771**
Opening Balance, 1 July 2019		**2,419,904,771**
Transfers to / from accumulated surplus/(deficit)	30.3	-
Surplus / (deficit) for the year		138,294,443
Balance at 30 June 2020		**2,558,199,214**

ILEMBE DISTRICT MUNICIPALITY - DC29
UNAUDITED CASH FLOW STATEMENT
For the period ended 30 June 2020

	Note	IDM 2020 R	IDM 2019 R *Restated*
Receipts		**1,002,350,843**	**1,022,350,676**
Sales of goods and services		171,530,410	155,299,627
Grants		830,820,433	867,051,049
Payments		**(654,237,732)**	**(688,360,846)**
Employee costs		212,526,899	209,756,207
Suppliers		441,710,833	478,604,639
CASH GENERATED FROM OPERATIONS	31	**348,113,111**	**333,989,830**
Interest received		16,169,830	12,284,945
Interest paid	26	(8,750,085)	(8,154,624)
Net cash flows from operating activities		**355,532,857**	**338,120,151**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(361,119,782)	(309,345,648)
Proceeds from sale of fixed assets		2,272,936	-
Increase in investments		28,719,789	(1,433,360)
Non-current receivables		66,544,138	89,305,811
Purchase of intangibles	12	-	(3,111,087)
Net cash flows from investing activities		**(263,582,919)**	**(224,584,285)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(37,342,526)	(7,141,160)
Repayment of finance lease liability		(3,024,141)	(2,395,091)
Net cash flows from financing activities		**(40,366,667)**	**(9,536,250)**
Net increase / (decrease) in net cash and cash equivalents		51,583,272	103,999,617
Net cash and cash equivalents at beginning of period		174,702,791	70,703,174
Net cash and cash equivalents at end of period	32	**226,286,063**	**174,702,791**

ILEMBE DISTRICT MUNICIPALITY
UNAUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the period ended 30 June 2020

Description	Original Budget	Adjusted Budget (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Year to date Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
Service Charges	178,842,552	197,267,137	-	197,267,137	185,884,249	-11,382,888	-6%	The reason for the variance was that some projects which would have resulted ir an increased billing that were anticipated to commence during the financial year were not completed. However, the varience is within acceptable norm.
Investment Revenue	4,022,376	13,250,001	-	13,250,001	16,169,830	2,919,829	22%	This refers to interest earned in the external investments of the municipality. The actual as at 30 June (Q4) 2020 was R 16 million, resulting in a positive variance amounting to R2.9 million (22%). This positive variance is due to the delayed implementation of various grant funded projects mainly as a result of the negative impact of the Corona Virus pandemic which slowed down construction during the period of Level 5 National Lockdown and some isolated cases during Level 4. As a direct consequence of this, unutilized funds are invested and have earned excessive interest.
Transfers Recognised - Operatio	553,478,004	611,318,664	-	611,318,664	567,579,053	-43,739,611	-7%	The reason for the variance was that some of the operational projects were delayed due to National Lockdown, however the variance is withini acceptable norm.
Other Own Revenue	49,340,892	49,905,367	-	49,905,367	51,308,296	1,402,929	3%	The variance is attributable to various items which municipality has no control. The items includes interest on outstanding debtors which were below anticipated budget.
Transfers) & Contributions)	**785,683,824**	**871,741,169**	**-**	**871,741,169**	**820,941,428**	**-50,799,741**		
Employee Costs	241,813,668	221,420,138	-806,118.93	220,614,019	205,364,844	-16,055,294	-7%	This item relates to employee related costs booked in for the district and its entity, as at 30 June 2020, the total expended was R232.5 million resulting in a 7% variance below target but within the acceptable norm of +/- 10%. The variance is mainly attributable to most budgeted vacant posts not filled.
Remuneration Of Councillors	10,941,216	9,449,621	55,443.40	9,505,064	8,877,406	-572,215	-6%	This item relates to remuneration of Councillors. The actual expenditure as at 30 June 2020 was R8.8 million, the year to date target was R9.4 million resulting in an unfavourable variance of 6%. This is within the +- 10 threshold. This variance is attributable to Councillors' salaries budgeted on 7% increase while they actual received 4% and some Councillors budgeted on full salary whereas they actual receiving part payment as they also serve to local municipalities i.e Speaker.
Debt Impairment	29,421,384	13,721,384		13,721,384	79,008,029	65,286,645	476%	This item relates to amount budgeted for contribution to the provision for doubtful debt in line with GRAP. The item was approved at R 29 million, however during the year, this item was adjusted down to R13.7 million mainly due to the Council resolution to write off R 54 million in the current financial year. It should be noted that write off relates to long outstanding debtors coming from previuos financial years. An increase on provision was due to consumers account with incomplete information which increase the risk for the debt not to be collected, as well the risk associated with indigent debtors.
Depreciation & Asset Impairment	84,354,660	84,354,660	621,931.25	84,976,591	115,358,509	31,003,849	36%	There were assets that were capitalised during the end of the were which were completed. The increase is also due to assets donated which needed to be included into asset register and apply depreciation methodology accordingly. there were also the acquisition of transport assets.The impairment of assets is done annually and that will determine the realistic impairment against the provision against the budget.

ILEMBE DISTRICT MUNICIPALITY
UNAUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the period ended 30 June 2020

Description	Original Budget	Adjusted Budget (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Year to date Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
Finance Charges	12,402,624	11,356,874	-553,608.00	10,803,266	8,750,085	-2,606,789	-24%	This is interest paid by the municipality to Financial Institutions for money borrowed by the municipality from those institutions. The expenditure anticipated for the period ended 30 June 2020 was R11.3 million, while the actual incurred for this period was R6.5 million, as a result the variance was 42% below target due to repayment of ABSA loan.
Bulk Purchases	132,056,832	168,070,182		168,070,182	206,635,327	38,565,145	23%	This item refers to municipal water bulk purchases. The anticipated expenditure for the period ended 30 June 2020 was R168 million, while the actual expenditure for the period amounted to R206 million, this resulted in a 23% variance above anticipated expenditure. It should be noted that item is the main cost driver on provision water. The variance is mainly attributable various factors such as -; • Increase in new connections and the cost of providing water supply to consumers. • Indirectly, water losses has an impact on this item. The municipality faces a high level of non-revenue water and real losses currently sitting at 60% and 35% respectively. There is currently a project dedicated to reduce water losses, improve service delivery and eradicate services backlogs increasing revenue while decreasing the extent of the Non-Revenue water. The total budget allocated to Water Conservation and Demand Management amounts to R 27.3 million where various activities will be performed. A 5 year- Master Plan will also be drafted from this programme. To date, 71 bulk water meters have been verified, mainly for Ndwedwe, KwaDukuza and Maphumulo.
Contracted Services	133,660,776	223,261,096	-6,835,927.55	216,425,169	208,845,804	-14,415,293	-7%	This item consist of all contracted services of the municipality like electrical repairs, bulk maintenance, catering, grass cutting etc. The total budget for this item was R216.4 million and the actual expenditure as at 30 June 2020 was 204.8 million which 7% below the anticipated expenditure.
Other Expenditures	437,628,660	138,390,673	5,628,440.67	144,019,114	139,557,114	1,166,441	1%	This is mainly due to the suspended operational projects as a result of Covid19 national lockdown
Total Expenditure	**1,082,279,820**	**870,024,628.16**	**168,070,182.00**	**1,336,997,809**	**972,397,118**	**102,372,489**		
Surplus/(Deficit)	**-296,595,996**	**1,716,540.84**	**-168,070,182.00**	**-455,615,949**	**-151,455,690**	**-153,172,231**		

ILEMBE DISTRICT MUNICIPALITY
UNAUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the period ended 30 June 2020

Description	Original Budget	Adjusted Budget (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Year to date Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R		
Transfers Recognised - Capital	296,595,996	287,545,767	-	287,545,767	289,831,032	2,285,264	1%	The reason for the variance is due to Fire Vehicle truck grant that was utilised by end of 30 June 2020 due to delays on SCM process on transversal tender hence the database for National Treasury is limited in terms of specification that the municipality is requiring.
Transfers and subsidies - capital (in-kin	0	9,640,690		9,640,690	11,024,137	1,383,447	14%	These are donations made by KZN COGTA in order to to undertake the programme on Operation Kwawuleza.
Contributions Recognised - Capital	-		-	-		0	0%	
Surplus/(Deficit) After Capital Transfers	**0**	**298,902,998.30**	**-168,070,182.00**	**-158,429,490**	**149,399,479**	**-149,503,520**		
Profit/(Loss)					-80,898	-80,898		
Surplus/(Deficit For The Year	**0**	**298,902,998.30**	**-168,070,182.00**	**-158,429,490**	**149,318,580**	**-149,584,418**		
Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	262,257,391	250,148,135.84	-	250,148,135.84	187,529,189	-62,618,946	-25%	These are donations made by KZN COGTA in order to to undertake the programme on Operation Kwawuleza.
Borrowing	63,148,521	73,148,519.00	-	73,148,519.00	40,114,920.34	-33,033,599	0%	The municipality budgeted for 106 vehicles and received 90 vehicles. The reasoı for the balance of 26 vehicles not to be received was that they were going to be received during April 2020, unfortunately the country was challenges with the COVID-19 pandemic which resulted to National Lockdown. When the lockdown rules were relaxed it was already the end of the financial year.
Internally Generated Funds	22,542,502	14,738,964.02	-	14,738,964.02	4,406,159	-10,332,805	-70%	The variance is attributable to low expenditure on water metres project and other ICT capital projects. These projects were not implemented due to austerity measures and cost containment policy.
Total Sources Of Capital Funds	**347,948,414**	**338,035,618.85**	**-**	**338,035,619**	**232,050,269**	**-105,985,350**		

The adjustment budget was tabled to council on the 28th of May 2020 to appropriate the financial impications of COVID-19, adjust capital budget due to transfers and grants revision of the grant allocation to the municipality as per Government Gazette No 43180 issued 30 March 2020, and appropriate any other budget related matters within acceptable provisions of the Act.

Reportable Segments for the year ended 30 June 2020

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

	2019/2020 Trading Services	Total
Segment Revenue	**837,845,995**	**837,845,995**
External revenue from non-exchange transactions	665,755,510	665,755,510
External revenue from exchange transactions	172,306,240	172,306,240
Revenue from transactions with other segments		-
Interest revenue	- 215,755	- 215,755
Segment Expenses	**503,376,858.07**	**503,376,858**
Total Segment expenses	503,376,858	503,376,858
Depreciation and amortisation	-	-
Interest expense	-	-
Internal charges		-
Share of Surplus/(Deficit) of Associates / Joint Ventures		-
Taxation		-
Surplus/deficit for the year	**334,469,137**	**334,469,137**

	2018/2019 Trading Services	Total
Segment Revenue	**431,432,089**	**431,432,089**
External revenue from non-exchange transactions	295,418,579	295,418,579
External revenue from exchange transactions	136,013,510	136,013,510
Revenue from transactions with other segments		-
Interest revenue	-	-
Segment Expenses	**400,330,833**	**400,330,833**
Total Segment expenses	400,330,833	400,330,833
Depreciation and amortisation	-	-
Interest expense	-	-
Internal charges		-
Share of Surplus/(Deficit) of Associates / Joint Ventures		-
Taxation		-
Surplus/deficit for the year	**31,101,256**	**31,101,256**

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2020

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial
statements are presented in

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP

1.5 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income, expenses and other reports. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

Post-Retirement Benefits and Multi-Employer Retirement Benefit Plans
The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumption for pension obligation are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annulation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statement are compiled for each fund not per employer. Further details of this plan is included in the notes to the Financial Statements.

Provision for impairment of trade receivables
The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated recoverable future cash flow based on past recovery trends.

Non-cash generating and cash generating Impairment testing
Management used the fair value less cost to sell to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note – Impairment of assets
All assets owned/recognised by the municipality are held for the provision of basic service and are considered to be non-cash generated assets

Provision
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provision are included in notes to Financial Statements.
Provision are measured at the head of department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.
A provision is recognised when:
The municipality has a present obligation (legal or constructive) as a result of a past event;
It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
A reliable estimate can be made of the obligation.

1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1.10).

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 104 Financial Instrument

The following Standards issued but not yet effective have an effective date of 1 April 2020.

GRAP 104 Financial Instrument

1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The Minister has determined the following GRAP standards as approved effective:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associates
GRAP 8 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash-generating assets
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 32 Service Concession arrangements: Grantor
GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investment in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interests in Other Entities
GRAP 100 Discontinued Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 - Transfer of Functions Between Entities Under Common Control
GRAP 106 Transfer of Functions Between Entities Not Under Common Control
GRAP 107 Mergers
GRAP 108 Statutory Receivables
GRAP 109 Accounting by Principals and Agents
GRAP 110 Living and Non-Living Resources

Interpretations of the standard of GRAP Approved and effective
IGRAP 1 Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2 Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 3 Determining Whether an Arrangement Contains a Lease
IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6 Loyalty Programmes
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9 Distributions of Non-cash Assets to Owners
IGRAP10 Assets Received from Customers
IGRAP 11 Consolidation - Special Purpose Entities
IGRAP 12 Jointly Controlled Entities - Non-Monetary Contributions
IGRAP 13 Operating Leases - Incentives
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 Revenue - Barter Transactions Involving Advertising Services
IGRAP 16 Intangible Assets - Website Costs
IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land
IGRAP 19 Liabilities to Pay Levies
IGRAP 20 Accounting for Adjustments to Revenue

Interpretations of the standard of GRAP Approved and not yet effective
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue (01 April 2020)
Directive 7 (Revised): The Application of Deemed Cost (1 April 2019)

The following standards have been issued but are not yet effective:
- GRAP 1 (amended): Presentation of Financial Statements (1 April 2020)
- GRAP 106 (as amended 2016): Transfers of Functions Between Entities not Under Common Control (1 April 2019)

Guidelines of the Standard of GRAP approved and effective
Guidelines on Accounting for Arrangements Undertaken into, to the National Housing Programmed (1 April 2019)

Guidelines of the Standard of GRAP approved and not yet effective
Guidelines on Accounting for Landfill Sites
Guidelines on the Application of Materiality to Financial Statements

Guidelines on Accounting for Arrangements Undertaken into. to the National Housing Programme (1 April 2019)

1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2019 to 30 June 2020. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 40. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2020 is presented in note 40. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 40. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

Differences between budget and actual amounts are regarded as material when a more than 10% variance exists.

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2

2 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.1.2 SUBEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Infrastructure	Years	Other	Years
Water	5 - 50	Machinery and equipment	2 - 10
Sewerage	15 - 20	Furniture and equipment	5 - 7
Other	0 - 30	Motor vehicles	3 - 15
		Buildings	5 - 30

An entity shall assess at each reporting date whether there is an indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. No longer a requirement to review residual values and useful lives each year.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and website: 2 - 5 Years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 HERITAGE ASSETS

4.1 INITIAL RECOGNITION AND MEASUREMENT

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost or fair value of the asset can be measured reliably.

If the municipality holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

4.3 DEPRECIATION & IMPAIREMENT

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets.

In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:

4.3.1 External sources of

(a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) The absence of an active market for a revalued heritage asset.

4.3.2 Internal sources of

(a) Evidence is available of physical damage or deterioration of a heritage asset.
(b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

4.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

5.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is a determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

6 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is:
cash;
a residual interest of another entity; or
a contractual right to:
receive cash or another financial asset from another entity; or
exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity: or
exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting

The municipality has the following types of financial assets as reflected on the face of the Statement of financial Position or other notes thereto:

Financial Assets:

Cash and Cash Equivalents = Financial asset measurement at amortised cost

Trade and Other Receivables from Exchange Transactions = Financial asset measured at amortised cost

Trade and Other Receivables from Non-Exchange Transactions = Financial asset measured at amortised cost

Non-Current Receivables = Financial Asset measured at amortised cost

Financial Liabilities:

Trade and Other Payables from Exchange Transactions = Financial liability measured at amortised cost

Trade and Other Payables from Non-Exchange Transactions = Financial liability measured at amortised cost

Borrowings = Financial liability measured at amortised cost

Finance Lease Liabilities = Financial liability measured at amortised cost

7.2 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below- market related rate; the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its components.

7.3 SUBSEQUENT MEASUREMENT

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:
(a) Financial instruments at fair value
(b) Financial instruments at amortised cost
(c) Financial instruments at cost

7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALU

Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives , combined instruments that are designated at fair value, instruments held for trading , financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments at amortised cost , are non-derivative financial assets or financial liabilities that have fixed or determinable payments , excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.3.3 FINANCIAL INSTRUMENTS AT COST

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial instruments at cost are subsequently measured at cost if the fair value cannot be reliably determined.
Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.4 RECLASSIFICATIONS

The municipality does not reclassify a financial instrument when it is issued or held , except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

7.5 GAINS AND LOSSES

Gains and losses on fair value measurements ,reclassifications , impairment , derecognition are recognised in surplus or deficit

7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

7.6.1 FINANCIAL ASSETS AT AMORTISED COST

For financial assets at amortised cost, the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

7.6.2 FINANCIAL ASSETS AT

For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

7.7 DERECOGNITION

7.7.1 FINANCIAL ASSETS

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:
(a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
(b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
(c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
(i) derecognise the asset; and
(ii) recognise separately any rights and obligations created or retained in the transfer.

7.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when , and only, it is extinguished . A financial liability is extinguished when the debtor either:
(a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities , goods or services.
(b) Is legally released from primary responsibility for the liability either by process(expires) of law or by the creditor (cancelled). If the debtor has given a guarantee , this condition may still be met.
(c) Waives the debt or it is assumed by another municipality by way of a non- exchange transaction.
Interest, dividends or similar distributions , losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when , the municipality:
(i) Currently has a legally enforceable right to set off the recognised amounts; and
(ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

9.1 IDENTIFICATION AND INTERNAL REPORTING

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget.
Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write - off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

9.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any unauthorised expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
(c) The steps that have been taken-
(i) To recover or rectify such expenditure; and
(ii) To prevent a recurrence of such expenditure

10 IRREGULAR EXPENDITURE

Irregular expenditure is defined in section 1 of the MFMA as follows:
"irregular expenditure", in relation to a municipality or municipal entity, means—
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

10.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

10.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any irregular expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such irregular expenditure; and
(c) The steps that have been taken-
(i) To recover or rectify such expenditure; and
(ii) To prevent a recurrence of such expenditure

11 FRUITLESS AND WASTEFUL EXPENDITL

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:
"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

11.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

11.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any irregular expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
(c) The steps that have been taken-
  (i) To recover or rectify such expenditure; and
  (ii) To prevent a recurrence of such expenditure

12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).
The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The tariff in respect of sewerage is based on the value of consumption used from one point of meter supply

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

Service charges from sewerage and sanitation are based on the value of consumption used from one point of meter supply and this is set out in the tariffs of charges approved by Council.

Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.

A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.

Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

14.3 RECOGNITION

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied:
(a) When the resource is controlled by the entity as a result of a past event;
(b) It is probable that the future economic benefits or service potential associated with the resource will flow to the municipality; and
(c) The fair value of the resource can be measured reliably.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.

The municipality does not recognise service in - kind.

The municipality recognises

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14.4 MEASUREMENT

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.

Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.

Revenue from vat refunds is measured at gross amounts.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 EMPLOYEES BENEFITS

16.1 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

16.2 POST- EMPLOYMENT BENEFITS

16.2. DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The

16.2. DEFINED BENEFITS PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.
When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

16.2. OTHER LONG - TERM BENEFITS PLANS

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

16.2. TERMINATION BENEFITS

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

17 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

18 IMPAIRMENT OF ASSETS

Primary objective for cash generating assets is to generate a commercial return and the primary objective for non- cash generating asset is service delivery.
The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:
(a) Was the asset acquired to generate a commercial return?
(b) Does the asset operate independently from other assets?
(c) Does the asset generate cash flows independently from other assets?
If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non - cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non cash generating asset is determined as the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

19 RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly owned by the iLembe District Municipality. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.
Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

20 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

21 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

- Contracts should relate to something other than the routine, steady, state business of the entity -- therefore salary commitments relating to

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	Allowance for Impairment on receivables	Net Balance
Trade receivables			
For the period ended 30 June 2020			
Service debtors			
Water and Sewerage	410,497,493	(278,054,753)	132,442,740
Direct Payments	(1,310,578)	-	(1,310,578)
Total	**409,186,916**	**(278,054,753)**	**131,132,162**
Other Receivables			
Accrued interest	4,134,472	-	4,134,472
Ilembe Enterprise		-	-
Outstanding deposits	1,200,644	-	1,200,644
Sundry Debtors	5,764,743	-	5,764,743
Other debtors	6,177,831		6,177,831
RD Cheques			-
Total other Receivables	**17,277,690**	**-**	**17,277,690**
VAT is payable on cash basis. VAT is paid over to SARS only once payment is received from debtors.			
Total Trade and other receivables	**426,464,606**	**(278,054,753)**	**148,409,852**
as at June 2019			
Service debtors			
Water and Sewerage	350,732,511	(250,265,211)	100,467,300
Direct Deposits	(51,804)		(51,804)
Total	**350,680,707**	**(250,265,211)**	**100,415,496**
Other receivables			
Umngeni water debtor		-	-
Accrued interest	2,062,718	-	2,062,718
Ilembe Enterprise	871,751	-	871,751
Outstanding deposits	314,215	-	314,215
Other debtors	12,645,671		12,645,671
RD Cheques	3,469	-	3,469
Other receivables	**15,897,824**	**-**	**15,897,824**
Total Trade and other receivables	**366,578,531**	**(250,265,211)**	**116,313,321**

Summary of Debtors by Customer Classification	Residential R	Industrial/ Commercial R	National and Provincial Government R
For the period ended 30 June 2020			
Current (0 – 30 days)	13,224,671	5,055,457	2,750,032
31 - 60 Days	11,304,846	1,043,711	1,376,479
61 - 90 Days	10,168,142	656,900	1,011,010
91 - 120 Days	14,125,403	571,921	851,974
121 - 365 Days	9,517,462	427,803	1,143,971
+ 365 Days	309,509,350	7,281,235	20,477,126
Sub-total	**367,849,874**	**15,037,027**	**27,610,593**
Less: Allowance for impairment on receivables	(249,174,236)	(10,182,915)	(18,697,601)
Total debtors by customer classification	**118,675,638**	**4,854,111**	**8,912,991**
at 30 June 2019			
Current (0 – 30 days)	25,789,945	3,498,076	4,307,527
31 - 60 Days	6,094,942	600,482	926,384
61 - 90 Days	10,786,571	335,156	1,057,645
91 - 120 Days	11,703,787	373,227	850,780
121 - 365 Days	14,168,382	297,488	571,366
+ 365 Days	248,558,788	2,725,554	18,086,411
Sub-total	**317,102,414**	**7,829,984**	**25,800,113**
Less: Allowance for impairment on receivables	(226,268,452)	(5,587,086)	(18,409,672)
Total debtors by customer classification	**90,833,962**	**2,242,898**	**7,390,440**

	2020 R	2019 R *Restated*
Water and Sewerage: Ageing		
Current (0 – 30 days)	21,030,160	33,595,548
31 - 60 Days	13,725,036	7,621,808
61 - 90 Days	11,836,052	12,179,372
91 - 120 Days	15,549,298	12,927,794
121 - 150 Days	11,089,236	15,037,236
+ 365 Days	337,267,711	269,370,753
Total	**410,497,493**	**350,732,511**
Reconciliation of the doubtful debt provision		
Balance at beginning of the year	(250,342,015)	(186,559,714)
Contributions to provision	(79,008,029)	(65,022,454)
Bad debts recovered/ Consumer Accounts Adjustments	(4,825,445)	(479,092)
Doubtful debts written off against provision	56,197,542	1,719,245
Balance at end of year	**(277,977,947)**	**(250,342,015)**

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:		
Petty cash and cash on hand	44,000	44,000
Bank statement balance	226,242,063	174,658,791
	226,286,063	**174,702,791**

The Municipality has the following bank accounts: -

Water Bank Account

ABSA Bank Account - Durban Branch
Account Number 4057878321 - Current Account

Cash book balance at beginning of year	15,341	24,088
Cash book balance at end of year	**(463,304)**	**15,341**
Bank statement balance at beginning of year	2,802,188	1,963,162
Bank statement balance at end of year	**658,298**	**2,802,188**

Salaries Bank Account

First National Bank - Durban Branch
Account Number 62006302385 - Current Account

Cash book balance at beginning of year	608,944	1,553,521
Cash book balance at end of year	**107,698**	**608,944**
Bank statement balance at beginning of year	613,044	1,572,176
Bank statement balance at end of year	**2,272,594**	**613,044**

Main Bank Account

First National Bank Account - Durban Branch
Account Number 50851211546 : Current Account

Cash book balance at beginning of year	11,351,214	20,746,862
Cash book balance at end of year	**(14,579,766)**	**11,351,214**
Bank statement balance at beginning of year	11,412,206	20,759,130
Bank statement balance at end of year	**8,391,149**	**11,412,206**

Revenue Bank Account

First National Bank - Durban Branch
Account Number 62409366722 : Current Account

Cash book balance at beginning of year	23,213,486	14,966,407
Cash book balance at end of year	**13,975,078**	**23,213,486**
Bank statement balance at beginning of year	20,160,326	12,963,561
Bank statement balance at end of year	**13,387,106**	**20,160,326**

	2020 R	2019 R
Projects Bank Account		
First National Bank - Durban Branch *Account Number 62046718641 - Current Account*		
Cash book balance at beginning of year	745,752	70,437
Cash book balance at end of year	**(60,192,071)**	**745,752**
Bank statement balance at beginning of year	745,752	95,908
Bank statement balance at end of year	**9,385,846**	**745,752**
FNB Sub-Main		
First National Bank - Stanger Branch *Account Number 62824322862 : Current Account*		
Cash book balance at beginning of year	-	
Cash book balance at end of year	**500,143**	-
Bank statement balance at beginning of year	-	
Bank statement balance at end of year	**506,476**	-
Inter Bank Transfers		-
Investment Current Account		
ABSA Bank Account - Durban Branch *Account Number 9114541258 : Call Account*		
Bank statement balance at the begining of the year	535	831
Bank statement balance at the end of the year	**507**	**535**
Investment Current Account		
FNB Bank Call Account - *Business Nstd : 62129309937 Call account-*		
Bank statement balance at the begining of the year	38 816 243	6 362 957
Bank statement balance at the end of the year	**22 969 811**	**38 816 243**
Investment Current Account		
FNB Call Account - *Account Number 61085067093 - Call Account*		
Bank statement balance at the begining of the year	5 044 344	9 996 661
Bank statement balance at the end of the year	**46 875 334**	**5 044 344**
Investment Current Account		
First National Bank Account - Durban Branch *Account Number 62758088746 : Call Account*		
Bank statement balance at the begining of the year	22 723	14 857 081
Bank statement balance at the end of the year	**2 410 998**	**22 723**
Investment Current Account		
First National Bank Account - Durban Branch *Account Number 62773448462 : Call Account*		
Bank statement balance at the begining of the year	57 224	-
Bank statement balance at the end of the year	**161 104**	**57 224**
Investment Current Account		
First National Bank Account - Durban Branch *Account Number 62773447729 : Call Account*		
Bank statement balance at the begining of the year	48 568	-
Bank statement balance at the end of the year	**1 363**	**48 568**

	2020 R	2019 R
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773446929 : Call Account		
Bank statement balance at the begining of the year	681 417	-
Bank statement balance at the end of the year	**716 640**	**681 417**
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773449965 : Call Account		
Bank statement balance at the begining of the year	4 220 963	
Bank statement balance at the end of the year	**9,278,052**	4 220 963
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62773451366 : Call Account		
Bank statement balance at the begining of the year	26 056 862	
Bank statement balance at the end of the year	**39,856,777**	26 056 862
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62796879206 : Call Account		
Bank statement balance at the begining of the year	3 474 702	
Bank statement balance at the end of the year	**3,684,389**	3 474 702
Investment Current Account		
First National Bank Account - Durban Branch		
Specify (INVESTEC BANK (1100435877457):Call Account		
Bank statement balance at the begining of the year	-	978 885
Bank statement balance at the end of the year	**-**	**-**
Investment Current Account		
INVESTEC FIXED		
Specify (INVESTEC BANK (1100435877503):Call Account		
Bank statement balance at the begining of the year	**1 322 023**	
Bank statement balance at the end of the year	**1 329 316**	**1 322 023**
Investment Current Account		
First National Bank		
Account Number 62313562309 : Call Account		
Bank statement balance at the begining of the year	59 179 672	1 108 822
Bank statement balance at the end of the year	**47 395 538**	**59 179 672**

	2020 R	2019 R
Investment Current Account		
First National Bank Account - Durban Branch		
Account Number 62828232520: Call Account		
Bank statement balance at the begining of the year	-	-
Bank statement balance at the end of the year	**16 960 766**	**-**
Petty cash and cash on hand	**44,000**	**44,000**
Total investments	**191,640,595**	**138,925,275**
Bank Statement Balance	**34,601,469**	**35,733,516**
Cash book balance at beginning of year	35,978,739	37,405,315
Cashbook balance at year end	**(60,608,221)**	**35,978,739**

4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Total Other Debtors	-	-

5 INVESTMENT IN CONTROLLED ENTITY

Investments in cotrolledl entity - Enterprise Ilembe Development Agency	100	100
% Holding	100%	100%
Ordinary Share: 100 @ R1 each		

6 INVENTORIES

Opening balance of inventories:	**9,565,378**	**7,917,309**
Consumable stores - at Net Replacement Cost	8,422,577	6,771,191
Water	1,142,800	1,146,118
Movements:	**673,888**	**1,648,069**
Consumable stores	477,805	1,651,386
Water	196,083	(3,317)
Closing balance of inventories:	**10,239,265**	**9,565,378**
Consumable stores	8,900,382	8,422,577
Water	1,338,883	1,142,800

There is no inventory pledged as a security for liability.

7 NON-CURRENT RECEIVABLES

Staff Debtors	333,518	181,451
Councillor A Baardman Salary Overpayment	274,763	334,763
Total	**608,281**	**516,214**

Staff debtors relate to bursaries granted to certain staff members as part of a bursary scheme approved by council in previous financial years.

8 INVESTMENTS

Financial Instruments		
ABSA zero coupon investment		
Current Term Investment	-	**28,719,789**

The term of investment has ended in May 2020 and it was utilised to settle the ABSA Loan.

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Computer Equipment	Furniture & Office Equipment	Machinery & Equipment	Transport	Total
	R	R	R	R	R	R		R
As at 1 July 2019	**3,242,908**	**24,955,229**	**2,460,724,981**	**3,491,768**	**1,503,064**	**2,779,542**	**7,468,860**	**2,504,166,575**
Cost/Revaluation	3,242,908	35,834,215	3,071,049,042	7,409,900	3,152,628	3,680,276	10,908,704	3,135,277,673
Correction of prior year error (note 30) - Cost		-	234,000	-	-	-		234,000
Correction of prior year error (note 30) - Accumulated depreciation and impairment losses			(310,116)					(310,116)
Accumulated depreciation and impairment losses	-	(10,878,985)	(610,247,943)	(3,918,132)	(1,649,565)	(900,734)	(3,439,845)	(631,035,203)
Acquisitions	-		1,383,446	-	1,506,843	439,805	50,287,150	53,617,243
Capital under Construction	-		189,457,163		-	-	-	189,457,163
Depreciation	-	(1,193,087)	(97,278,906)	(1,757,375)	(400,598)	(629,059)	(7,888,058)	(109,147,083)
Carrying value of disposals	**(150,000)**	**(351,813)**	**(1,386,768)**	**(107,387)**	**(55,393)**	**(745)**	**-**	**(2,052,107)**
Cost/Revaluation	(150,000)	(1,350,000)	(3,841,868)	(329,221)	(139,815)	(5,738)	-	(5,816,642)
Accumulated depreciation and impairment losses	-	998,187	2,455,100	221,834	84,421	4,993	-	3,764,535
Impairment loss/Reversal of impairment loss	-	-	(4,322,207)	(20,968)	(3,012)	(123)		(4,346,310)
Transfer into Assets	-	1,112,939	165,035,838		-	-	1,823,134	167,971,911
Transfer from WIP		(1,112,939)	(165,035,838)				(1,823,134)	(167,971,911)
Other movements (change in accounting estimates)	-	-		-	-	-		-
For the period ended 30 June 2020	**3,092,908**	**23,410,329**	**2,548,578,008**	**1,606,038**	**2,550,904**	**2,589,420**	**49,867,951**	**2,631,695,479**
Cost/Revaluation	3,092,908	34,484,215	3,258,281,861	7,080,678	4,519,657	4,114,343	61,195,854	3,372,769,516
Accumulated depreciation and impairment losses	-	(11,073,885)	(709,703,853)	(5,474,640)	(1,968,753)	(1,524,923)	(11,327,903)	(741,073,958)

The circumstances under Impairment of Proprerty Plant and Equipment were derived through verification and conditional assessment of assets.

Threre is no Property, Plant and Equipment pledge as security for liabilities.

Assets Under Construction is made of the following:

BLACK BALANCE	2,523,414
Bulk Mains: TS189/2017	22,759,750
DRIEFONTEIN WATER BORNE SEWER(IMPANDE)	2,232,429
Escongweni Engineers Professional fees	12,019,865
Hyde Park Development Professional fess	6,070,193
KwaDukuza Regional Wastewater Works	2,563,728
MACAMBINI WATER SUPPLY SCHEME	21,627,657
MAQHUMBI CWSS :ZONE C PROFESSI	9,009,793
Masibambisane Water Supply Refurbishment	30,787,422
Ntunjambili Water Supply Scheme	3,959,556
Profesional fees DNPC consulti	10,849,128
Profesional fees FMA engineers	3,030,018
Profesional fees Sivest and Mzibane(Wosiyane Extension)	11,070,163
Profesional fees Vumesa	15,710,964
Profesional fees Zimane consul	434,474
Profesional fess Makhaotse	3,388,687
PROFESSIONAL FEES - TS 184- 2017/TS 197/205/206-2019	17,162,714
Professional Fees DKG	15,095,189
TELEMETRY SYSTEM (ICT Manager & GAMNDANA)	1,893,754
TS/177/2017	869,226
TS/178/2017	47,618,354
TS/179/2017	30,610,748
TS/180/2017	37,958,363
TS/181/2017	7,793,030
TS/182/2017	3,324,450
TS/185/2017	22,400,334
TS/187/2017	32,111,672
TS/188/2017	18,067,723
TS/197/2019	24,513,564
TS/201/2019	2,654,683
TS/202/2019	3,270,229
TS/203/2019	2,935,349
TS/204/2019	3,715,525
TS/205/2020 Shakaville and Ind	2,398,875
TS/206/2019	1,402,569
TS/78/2012 TS/87/2012 TS/93/2012	16,163,472
TS/94/2013	24,826,431
TS1602015	79,895,976
Waste Water Treatment Works: Lindelani	19,386,985
Waste Water Treatment Works: SUNDUMBILI WASTE WATER UPGRADE	4,203,816
Water Treatment Works: Mvoti WTW refurbishment	918,284
	579,228,553

Asset under Construction Reconcilliation:	
Opening Balance at 1 July 2019	561,855,307
Prior period error	-4,111,971
Additions	189,457,163
	747,200,498
Transferred to completed projects	(167,971,911)
Closing Balance at 30 June 2020	**579,228,587**

REPAIRS AND MAINTENANCE PER ASSET CLASSIFICATI	2020
Intangible Assets	5,108,356
Building	458,126
Other Assets	5,311,397
Infrastructure (Water & Sewer)	23,464,776
Total	**34,342,655**

Reconciliation of Carrying Value	Land	Buildings	Infrastructure Water & Sewer	Computer Equipment	Furniture & Office Equipment	Machinery & Equipment	Transport	Total
	R	R	R		R	R		R
As at 1 July 2018	**3,242,908**	**25,012,055**	**2,332,148,796**	**5,518,530**	**1,840,316**	**859,246**	**6,057,727**	**2,374,679,575**
Cost/Revaluation	3,242,908	34,721,276	2,928,697,085	7,956,759	3,102,007	1,473,163	8,413,227	2,987,606,425
Correction of prior year error (note 30) - Cost	-	-	(80,297,184)					(80,297,184)
Correction of prior year error (note 30) - Accumulated depreciation and impairment losses	-	-	(8,099,727)		-			(8,099,727)
Accumulated depreciation and impairment losses		(9,709,220)	(508,151,379)	(2,438,229)	(1,261,691)	(613,917)	(2,355,500)	(524,529,936)
Acquisitions	-	-	-	120,985	96,250	2,273,335	672,343	3,162,913
Capital under Construction	-	1,112,939	232,446,032		-	-	1,823,134	235,382,105
Depreciation	-	(1,169,765)	(90,936,398)	(1,929,673)	(411,040)	(327,014)	(1,084,345)	(95,858,234)
Carrying value of disposals	-	-	**(6,636,726)**	**(218,074)**	**(22,462)**	**(26,026)**	-	**(6,903,288)**
Cost/Revaluation	-	-	(9,796,891)	(667,844)	(45,629)	(66,223)		(10,576,586)
Accumulated depreciation and impairment losses	-	-	3,160,164	449,770	23,167	40,197		3,673,298

Impairment loss/Reversal of impairment loss	-	-	(6,220,604)		-	-		(6,220,604)
Transfers	-	2,713,897	283,481,932			-		286,195,829
Transfer from WIP		(2,713,897)	(283,481,932)					(286,195,829)
*Other movements - Change in accounting estimates	-	-			-	-		-
								-
As at 30 June 2019	**3,242,908**	**24,955,228**	**2,460,801,098**	**3,491,768**	**1,503,064**	**2,779,542**	**7,468,860**	**2,504,242,756**
Cost/Revaluation	3,242,908	35,834,215	3,071,049,042	7,409,900	3,152,628	3,680,276	10,908,704	3,135,277,673
Accumulated depreciation and impairment losses	-	(10,878,985)	(610,247,943)	(3,918,132)	(1,649,565)	(900,734)	(3,439,845)	(631,035,203)

Refer to Appendix B for more detail on property, plant and equipment

Capital Projects - Cancelled/Delays in Construction

Name of the Project

Ndwedwe Town Development project has been put on hold due to the termination of the project contractor.

Asset under Construction Reconcilliation:	
Opening Balance at 1 July 2018	938,942,311
Additions	302,431,862
	1,241,374,173
Transferred to completed projects	(548,408,252)
Closing Balance at 30 June 2019	**692,965,922**

REPAIRS AND MAINTENANCE PER ASSET CLASSIFICATI	2019
Intangible Assets	5,124,057
Building	1,119,868
Other Assets	2,683,162
Infrastructure (Water & Sewer)	20,358,030
Total	**29,285,118**

11 HERITAGE ASSETS

	Mayoral Chain	Total
11.1 Reconciliation of carrying value		
		R
As at 1 July 2019	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-
For the period ended 30 June 2020	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-

11.2 Reconciliation of carrying value	Mayoral Chain R	Total R
as at July 2018	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-
as at June 2019	**205,578**	**205,578**
Cost	205,578	205,578
Accumulated impairment losses	-	-

The nature of the heritage asset the municipality has is Mayoral chain.
This asset is not pledge as security for liabilities.

12 INTANGIBLE ASSETS

12 Reconciliation of carrying value	Licenses	Computer Software R	Total R
As at 1 July 2019	**5,295,339**	**798,879**	**6,094,289**
Cost	8,896,076	6,513,192	15,409,268
Prior year error (Cost)	-	-	-
Accumulated amortisation and impairmen	(3,600,737)	(5,714,313)	(9,315,050)
Acquisitions	-	-	-
Other Movements	-	-	-
Amortisation	(966,096)	(899,020)	(1,865,116)
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
For the period ended 30 June 2020	**4,329,243**	**(100,141)**	**4,229,101**
Cost	8,896,076	6,513,192	15,409,268
Accumulated amortisation and impairmen	(4,566,834)	(6,613,333)	(11,180,166)

12 Reconciliation of carrying value	Licenses R	Computer Software R Restated	Total R Restated
As at 1 July 2018	**3,156,369**	**2,090,839**	**5,247,208**
Cost	5,834,201	6,205,478	12,039,679
Prior year error (Cost)	-	335,615	335,615
Prior year error (Amortization)	-	(2,757)	(2,757)
Accumulated amortisation and impairmen	(2,677,832)	(4,447,497)	(7,125,329)
Acquisitions	3,111,087	-	3,111,087
Other Movements	-	-	-
Amortisation	(972,095)	(1,278,821)	(2,250,916)
Carrying value of disposals	**(23)**	**(13,210)**	**(13,233)**
Cost	(49,212)	(27,903)	(77,115)
Accumulated amortisation	49,190	14,692	63,882
Impairment loss/Reversal of impairment lc	-	-	-
Transfers	-	-	-
Other movements	-	-	-
As at 30 June 2019	**5,295,339**	**798,879**	**6,094,218**
Cost	8,896,076	6,513,192	15,409,268
Accumulated amortisation and impairmen	(3,600,737)	(5,714,313)	(9,315,050)

	IDM 2020 R	IDM 2019 R *Restated*
13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	56,640,165	75,122,225
Consumer debtors with credit balances	11,745,621	10,004,261
Ilembe Enterprise	8,245,967	
Staff leave accrual	16,572,104	14,856,753
Outstanding Payments	94,928,218	61,189
RD Cheques	38,681	42,150
Creditors Accruals	30,264,696	58,093,494
Other creditors	18,500,672	26,421,380
13th Cheque	5,867,887	5,576,401
Consumer water deposits	5,558,653	5,374,616
Vat payable	4,528,800	15,342,964
Total creditors	**252,891,465**	**210,895,433**

The fair value of trade and other payables approximates their carrying amounts

14 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Unspent Conditional Grants and Receipts		
Provincial Township Establishment	1,103,569	1,200,000
Municipal Entity Grant	-	-
RBIG	6,795,480	23,364,491
Water Services Infrastructure Grant	9,996,561	51,324,599
Municipal disaster relief	596,000	-
Rural Road Asset Management System Grant	153,711	-
Massification Grant	0	830,597
Specialised fire and rescue vehicle	2,000,000	-
Municipal Infrastructure Grant	14,872,511	-
Expanded Public Works Programme	-	-
Energy Efficiency and Demand-Side	3,368,134	-
Development planning & services	364,027	-
KZN COGTA satellite imagery	1,000,000	-
KZN COGTA spatial development	604,575	-
Total Unspent Conditional Grants and Receipts	**40,854,569**	**76,719,688**
Non-current unspent conditional grants and receipts		
Current portion of unspent conditional grants and receipts	**40,854,569**	**76,719,688**

See Note 21 for reconciliation of grants and receipts. These amounts are invested in ring-fenced until utilised.

Municipal Disaster Relief Grant was transferred by National Treasury through DORA in response for COVID-19 as per expenditure disclosed in note 29.

15 BORROWINGS		
Development Bank of South Africa	39,949,516	45,091,917
ABSA	-	30,796,562
	39,949,516	**75,888,479**
Less : Current portion transferred to current liabilities	6,765,575	37,342,526
Development Bank of South Africa	6,765,575	6,545,964
ABSA		30,796,562
Non current portion of borrowings	**33,183,941**	**38,545,953**

Development Bank of South Africa

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

16 LEASES

16.1 FINANCE LEASE LIABILITY

For the period ended 30 June 2020 Amounts payable under finance leases	Minimum lease charges R	Future finance charges R	Future insurance charges R	Present value of minimum lease payments R
Within one year	25,536,631.20	3,329,879	7,760,525	14,446,227
Within two to five years	38,265,183.86	2,084,446	11,685,640	24,495,098
	63,801,815	**5,414,326**	**19,446,164**	**38,941,325**
Less: Amount due for settlement within 12 months (current portion)	25,536,631.20	3,329,879	7,760,525	**14,446,227**
				24,495,098

The leases are for computers equipment that are utilised in the course of performing the Municipality's powers and functions.

Computer equipment leases are for three years. The interest rate charged is linked to the prime rate. The termination date is 30 September 2020. The leases are repaid monthly and include maintenance and insurance. At termination of the leases the computer equipment revert to the lessor.

Vehicle Finance leases expire on separate dates, the last date being 30 September 2023. The interest rate charged is linked to the prime rate.

as at 30 June 2019 Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Future insurance charges R	Present value of minimum lease payments R
Within one year	3,035,219.50	553,609	613,640	1,867,971
Within two to five years	423,113.41	22,322	85,803	314,989
	3,458,333	**575,931**	**699,442**	**2,182,960**
Less: Amount due for settlement within 12 months (current portion)	3,035,219.50	553,609	613,640	1,867,971
				314,989

	IDM 2020 R	IDM 2019 R
16.2 OPERATING LEASES		
Operating lease payments represent rentals payable by the municipality for motor vehicle, photocopiers and printers.		
Lease of Motor Vehicles	**14,859,796.93**	**19,768,079.99**
During the financial year under revie, the Municipality had a month on month contract with Wesbank for the lease of motor vehicles. The contract had been initially entered into in October 2015 for a period of 36 months which expired in October 2017. The contract was initially classified as a finance lease and, upon expiry of the initial contract, this was classified as an operating lease (on the basis of the contract having been modified to month on month). At reporting date, all vehicles leased with Wesbank had been returned.		
The lease was negotiated for periods ranging from 01 March 2019 months to 28 February 2022. The rentals escalation will be 10% on the Annual Annivessary of the contract.		
Photocopiers & Printers		
At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows: These amounts are the actual amounts per lease contracts after applying straightlining averaged over 36 months		
Within one year	2,168,137	2,168,137
In the second to fifth year inclusive	1,445,424	3,613,561
After five years		
Total	**3,613,561**	**5,781,698**
Included in the above commitments are the operating lease liabilities in lieu of differences between actual payments made based on the contractual obligation for actual services consumed and the deemed straight lining of rental amounts over 36 months.		
17 SERVICE CHARGES		
Sale of water	144,832,828	116,672,500
Sewerage and sanitation charges	42,404,054	37,387,757
Revenue Forgone	(1,352,633)	(919,641)
Total Service Charges	**185,884,249**	**153,140,616**
Sale of water is broken down into prepaid sales and conventional meters water sales.		
17.1 Sale of Water		
Prepaid water sales	13,994,889	17,221,201
Conventional meters water sales	130,837,939	99,451,300
	144,832,828	**116,672,500**
Revenue Forgone	(720,012)	(919,641)
Total Water Sales	**144,112,816**	**115,752,859**
18 RENTAL OF FACILITIES AND EQUIPMENT		
iLembe Auditorium	-	22,689
Total rentals	**-**	**22,689**
19 INTEREST EARNED - BANK BALANCES		
Interest on Bank Accounts	3,279,267	5,852,798
Short Term Investments and Call Accounts	12,890,563	6,432,148
	16,169,830	**12,284,945**
20 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Interest on debtors	**31,815,326**	**25,768,686**
21 GOVERNMENT GRANTS AND SUBSIDIES		
Operational Grants		
Equitable share	516,763,453	468,600,049
WSIG	9,999,700	-
Municipal Infrastructure Grant	30,645,138	23,992,147
Other Government Grants and Subsidies	10,170,761	2,731,000
Capital Grants		
WSIG	90,353,073	49,175,401
Municipal Infrastructure Grant	147,078,350	164,510,853
Other Government Grants and Subsidies	52,399,608	81,101,765
Total Government Grant and Subsidies	**857,410,084**	**790,111,215**

	IDM 2020 R	IDM 2019 R
21.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	516,763,453	468,600,049
Conditions met - transferred to revenue	(516,763,453)	(468,600,049)
	-	-
21.2 Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current year receipts	192,596,000	188,503,000
Conditions met - transferred to revenue - OPEX	(30,645,138)	(23,992,147)
Conditions met - transferred to revenue - CAPEX	(147,078,350)	(164,510,853)
Adjustments and Transfers		
Conditions still to be met - remain in liabilities (see note 14)	**14,872,511**	**-**
21.3 MASSIFICATION GRANT		
Balance unspent at beginning of year	830,597	-
Current year receipts		6,000,000
Conditions met - transferred to revenue	(830,597)	(5,169,403)
Adjustments and Transfers		-
Conditions met	**0**	**830,597**
21.4 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS		
Balance unspent at beginning of year	23,364,491	14,579,853
Current year receipts	35,000,000	75,446,000
Conditions met - transferred to revenue	(51,569,011)	(66,661,362)
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 14)	**6,795,480**	**23,364,491**
21.5 RURAL TRANSPORT SERVICE		
Balance unspent at beginning of year	-	-
Current year receipts	2,406,000	2,271,000
Conditions met - transferred to revenue	(2,252,289)	(2,271,000)
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 14)	**153,711**	**-**
21.6 WATER SERVICES INFRASTRUCTURE GRANT		
Balance unspent at beginning of year	51,324,599	-
Current year receipts	62,000,000	100,500,000
Conditions met - transferred to revenue	(100,352,773)	(49,175,401)
Adjustments and Transfers	(2,975,265)	
Conditions still to be met - remain in liabilities (see note 14)	**9,996,561**	**51,324,599**
21.7 PROVINCIAL TOWNSHIP ESTABLISHMENT		
Balance unspent at beginning of year	1,200,000	1,200,000
Current year receipts	-	-
Conditions met - transferred to revenue	(96,431)	-
Adjustments and Transfers		
Conditions still to be met - remain in liabilities (see note 14)	**1,103,569**	**1,200,000**
21.8 ENERGY EFFICIENCY AND DEMAND-SIDE		
Balance unspent at beginning of year	-	-
Current year receipts	8,000,000	7,000,000
Conditions met - transferred to revenue	(4,631,866)	(7,000,000)
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 14)	**3,368,134**	**-**
21.10 FINANCIAL MANAGEMENT GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
Adjustments and Transfers		-
Conditions met	-	-
21.11 EXPANDED PUBLIC WORKS PROGRAMME		
Balance unspent at beginning of year	-	-
Current year receipts	2,019,000	1,731,000
Conditions met - transferred to revenue	(2,019,000)	(1,731,000)
Adjustments and Transfers	-	-
Conditions met	-	-

	IDM 2020 R	IDM 2019 R
21.12 DEVELOPMENT PLANNING & SERVICES		
Balance unspent at beginning of year	-	-
Current year receipts	550,000	-
Conditions met - transferred to revenue	(185,973)	-
Adjustments and Transfers	-	-
Conditions still to be met - remain liabilities (see note 14)	**364,027**	**-**
21.13 KZN COGTA SPATIAL DEVELOPMENT		
Balance unspent at beginning of year	-	-
Current year receipts	650,000	-
Conditions met - transferred to revenue	(45,425)	-
Adjustments and Transfers	-	-
Conditions still to be met - remain liabilities (see note 14)	**604,575**	**-**
21.14 KZN COGTA SATELITTE IMAGERY		
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 14)	**1,000,000**	**-**
21.13 SPECIALISED FIRE AND RESCUE VEHICLE		
Balance unspent at beginning of year	-	-
Current year receipts	2,000,000	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	-
Conditions still to be met - remain in liabilities (see note 14)	**2,000,000**	**-**
21.15 MUNICIPAL DISASTER RELIEF - COVID 19		
Balance unspent at beginning of year	0	0
Current year receipts	596,000	
Conditions met - transferred to revenue	-	-
Adjustments and Transfers		
Conditions still to be met - remain in liabilities (see note 14)	**596,000**	**0**
21.16 MUNICIPAL ENTITY GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	6,000,000	-
Conditions met - transferred to revenue	(6,000,000)	-
Adjustments and Transfers		
Conditions met - transferred to revenue	**-**	**-**
22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
22.01 Other income		
Tender Documents	342,955	200,244
Clearance certificates	1,781,768	1,574,695
Pnvate developers	550,057	236,788
Siza Water Concession	2,804,362	1,784,837
Shared Service	2,382,111	2,117,666
Enterprise Ilembe	-	-
LG Seta Income	343,708	380,432
Bad debt Recovered,Air valve installation,Commission Administrative	138,685	86,655
	8,343,646	**6,381,298**
22.2 Fines and Penalties		
Illegal Connections	8,111	113,559
Water Tampering	72,496	31,568
Atmospheric Emission	42,290	15,520
Licences and Permits	2,290	6,269
Disconnections	-	8,160
	125,187	**175,075**
22.3 Public Contributions and Donations		
22.3.1 Donations		-
Transport	343,307	
Machinery	9,297,385	
Reservoir	1,383,446	
	11,024,137	**-**

These assets were received from KwaZulu Natal Department of Coorporative Governance Traditional Affairs in a form of donation in order for the Accounting Officer to fulfill Operation Kwawuleza programme

22.3.2 Goods and/ or received in Kind

750 face shield masks

77 Hand Sanitizers

Foot Stand

The above mentioned goods were received in-kind by iLembe District Municipality during the year as gifts

	IDM 2020 R	IDM 2019 R
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	134,103,290	132,742,891
Employee related costs - Contributions for UIF, pensions and medical aids	29,764,749	28,821,412
Travel, motor car, accommodation, subsistence and other allowances	5,218,531	6,241,523
Housing benefits and allowances	616,020	586,591
Overtime payments	3,606,074	3,423,548
Performance and other bonuses	10,050,142	10,112,565
Long-service awards	1,041,677	1,079,325
Telephone Allowance	1,445,448	1,472,970
Payments in lieu of Leave	3,467,296	2,687,854
Non-Pension	7,849,512	7,361,178
Other employee related costs	8,202,107	7,650,202
Employee Related Costs	**205,364,844**	**202,180,059**
There were no advances to employees		
23.1		
Senior Management	3,948,222	3,796,440
Municipal Staff	201,463,570	197,343,666
Total	**205,411,791**	**201,140,107**
Municipal Staff Costs		
Basic Salary	136,657,507	*129,484,930*
Bonus	10,281,435	*10,036,823*
Service-Related Benefits	-	-
Allowances	43,318,279	*39,769,114*
Bargaining Council	61,027	*58,162*
Group Life Insurance	-	-
Pension	18,404,926	*16,989,364*
Post-Retirement Benefit: Medical	-	-
Post-Retirement Benefit: Pension	-	-
Post-Retirement Benefit: Other Benefits	(50,083)	-
Unemployment Insurance	1,011,036	*1,005,272*
Termination Benefits	-	-
Less: Costs Capitalised	(8,220,557)	-
Total	**201,463,570**	**197,343,666**
Remuneration of the Municipal Manager		
Basic Salary	968,178	*780,490*
Bonus	61,552	-
Service-Related Benefits	-	-
Allowances	132,839	*75,629*
Bargaining Council	112	*105*
Group Life Insurance	-	-
Pension	91,326	61,933
Post-Retirement Benefit: Medical	-	-
Post-Retirement Benefit: Pension	-	-
Post-Retirement Benefit: Other Benefits	-	-
Unemployment Insurance	1,785	1,785
Less: Costs Capitalised	-	
Total	**1,255,792**	**919,942**
Remuneration of the Chief Financial Officer		
Basic Salary	1,030,263	*1,036,722*
Bonus	44,332	-
Service-Related Benefits	-	-
Allowances	78,013	*75,888*
Bargaining Council	112	-
Group Life Insurance	-	-
Pension	-	-
Post-Retirement Benefit: Medical	-	-
Post-Retirement Benefit: Pension	-	-
Post-Retirement Benefit: Other Benefits		-
Unemployment Insurance	1,785	1,785
Less: Costs Capitalised	-	-
Total	**1,154,504**	**1,114,395**

Remuneration of Individual Senior Managers	**TOTAL**	**Technical Services R**	**Corporate Services R**	**Community Service R**
For the period ended 30 June 2020				
Basic Salary	1,585,093.3	790,587.7	692,378	102,128
Bonus	77,811.8	38,905.9	38,906	
Service-Related Benefits	-	-	-	
Allowances	336,384.0	143,160.0	193,224	
Bargaining Council	223.7	111.84	112	
Group Life Insurance	-	-	-	
Pension	161,945.8	56,899.87	105,046	
Post-Retirement Benefit: Medical	-	-	-	
Post-Retirement Benefit: Pension	-	-	-	
Post-Retirement Benefit: Other Benefits	-	-	-	
Unemployment Insurance	3,569.3	1,784.64	1,785	
Less: Costs Capitalised	-627,102.7	(627,103)	-	
Total	**1,537,925.2**	**404,347**	**1,031,450**	**102,128**

The Senior Manager Community Services was vacant at the reporting date.

	R	R	R	R
June 2019				
Basic Salary	1,417,457.0	315,831.0	509,440	592,186
Bonus	-	-	-	-
Service-Related Benefits	-	-	-	-
Allowances	255,109.0	68,000.0	155,009	32,100
Bargaining Council	210.0	70.0	70	70
Group Life Insurance	-	-	-	-
Pension	86,328.0	23,471.0	62,857	-
Post-Retirement Benefit: Medical	-	-	-	-
Post-Retirement Benefit: Pension	-	-	-	-
Post-Retirement Benefit: Other Benefits	-	-	-	-
Unemployment Insurance	3,000.2	770	892	1,338
Less: Costs Capitalised	-	-	-	-
	-	-	-	-
Total	**1,762,104.2**	**408,142**	**728,268**	**625,694**

	IDM 2020 R	IDM 2019 R
24 REMUNERATION OF COUNCILLORS		
Mayor	1,087,797	1,047,528
Deputy Mayor	878,397	846,182
Speaker	586,810	846,182
Executive Committee	2,286,155	2,205,182
All Other Councillors	4,038,246	3,658,774
Total	**8,877,406**	**8,603,847**
24.1 MAYOR		
Allowances and Service Related Benefits		
Basic Salary	732,898	700,483
Cell phone Allowance	40,800	40,800
Market Related Non-Pensionable Allowance	314,099	205,411
Travelling Allowance	-	100,834
Use of Personal Facilities	-	-
Social Contributions		-
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	**1,087,797**	**1,047,528**
24.2 DEPUTY MAYOR		
Allowances and Service Related Benefits		
Basic Salary	628,198	604,037
Cell phone Allowance	40,800	40,800
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	28,476	27,381
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	180,923	173,965
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	**878,397**	**846,182**
24.3 SPEAKER		
Allowances and Service Related Benefits		
Basic Salary	534,072	587,451
Cell phone Allowance	7,619	40,800
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	13,883	78,536
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	31,235	139,395
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	**586,810**	**846,182**
24.4 EXECUTIVE COMMITTEE		
Allowances and Service Related Benefits		
Basic Salary	1,531,288.00	1,474,639.90
Cell phone Allowance	122,400.00	122,400.00
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	267,876.59	257,573.69
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	240,627.98	231,373.08
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	123,962.85	119,195.07
Total	**2,286,155.42**	**2,205,181.74**
24.5 ALL OTHER COUNCILLORS		
Allowances and Service Related Benefits		
Basic Salary	2,517,941.40	2,287,369.77
Cell phone Allowance	316,200.00	285,600.00
Housing Allowance	-	-
In-kind Benefits	-	-
Market Related Non-Pensionable Allowance	496,052.55	430,180.20
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	579,838.71	557,537.47
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	128,213.62	98,086.14
Total	**4,038,246.28**	**3,658,773.58**

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker have use of the Council owned vehicle for official duties. The Mayor has 4 full-time Protectors, and the deputy Mayor and Speaker have full-time Protectors.

	IDM 2020 R	IDM 2019 R
25 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE		
Depreciation	109,147,083	95,858,234
Impairment of Assets/Reversal	4,346,310	6,220,604
Intangible assets Amortisation	1,865,116	2,250,916
Total Depreciation, Impairment and Amortisation	**115,358,509**	**104,329,755**

The circumstances under Impairment of Proprerty Plant and Equipment were derived through verification and conditional assessment of assets.

26 FINANCE COSTS		
Borrowings	6,455,164	7,187,025
Leases	2,294,921	967,599
Total Finance Costs	**8,750,085**	**8,154,624**
27 BULK PURCHASES		
Water	206,635,327	150,578,471
Total Bulk Purchases	**206,635,327**	**150,578,471**

The excessive increase in bulk purchases is due to the commissioning of Lower Thukela Bulk Water Supply Scheme Off takes as weel as the effect of incorporating the Spring Grove Capital Unit Charges which the municipality had to provide for.

28 CONTRACTED SERVICES		
Contracted services for:		
Plant Hire	57,533,743	30,532,776
COVID - 19 Hygiene	1,487,914	
Security	31,687,906	28,920,978
VIP Toilets Expenditure (MIG Operational)	34,890,066	20,862,736
Rural Roads Assets Systems Management Grant (RRAMS) Expenditure	1,958,512	1,976,725
Analysis of water and effluen	6,455,889	7,684,891
Eedsm implementation - retrofit contractor	4,263,679	4,317,338
Internal audit	81,445	31,000
medical support heritage day	4,316	838
EPWP grass cutting	3,300,004	1,011,003
EPWP Grass cutting - EPWP Funded	2,019,000	2,396,186
EPWP PROJECTS	261,629	
Hygiene services	187,099	99,474
Detegency to clean vector control tools	-	4,640
Cleaning services	354,410	793,080
Risk management awareness	-	33,521
Occupational Health and Safety	-	317,830
Consumer data analytics	480,799	636,210
LM Support	120,000	170,400
Medical services provided on SALGA games	-	10,426
Youth Programme	164,634	147,917
EAP Staff Awards Sound	-	2,139
EAP Councilling Referrals to Psychologist	-	13,600
Audit Committee	155,613	194,390
Payroll Support	38,589	100,854
consulting asset management	537,698	475,560
Munsoft consulting fees	637,500	699,999
Risk management committee	6,333	21,838
Medical exams	11,590	25,900
Eedsm consulting fees (eepibp)	-	612,127
Implementation of an automated supplier invoice tracking sys	129,600	-
Employee Vaccine & surveillance	111,000	-
Water conservation demand	33,251,310	-
Maphumulo trasnfer and reg of individual sites grant	94,157	-
Afs high level review	150,000	-
Competency Assessments & Vetting	19,010	-
EEDSM Consulting fees (Project Planning)	139,694	944,348
Spatial Dev. Framework	39,500	
Food Sampling	70,939	62,113
Legal Fees	560,131	1,612,702
SALGA GAMES	-	207,033
Golden game district selections	-	23,900
Catering Services	542,569	379,589
New Meter Connection	733,569	1,182,312
SAGE VIP license SLA - Repairrs and Maintenance	129,754	121,266
Repairs and Maintenance Contracted	26,236,203	12,691,434
	208,845,804	**119,319,073**

		IDM 2020 R	IDM 2019 R
29	**GENERAL EXPENSES**		
	Included in general expenses are the following -		
	Advertising	1,160,785	1,505,790
	Audit fees	3,629,825	3,277,397
	Bank charges	432,857	428,898
	Bursaries	15,000	204,132
	Fuel and oil	11,021,056	10,022,382
	Insurance	4,352,674	2,570,819
	Licence fees - vehicles	236,568	117,288
	Membership fees	2,505,063	2,333,049
	Postage	1,897,752	2,080,858
	Printing and stationery	168,178	149,360
	Disaster Management	965,309	112,450
	Property rates	556,167	389,699
	Telephone cost	40,934	111,149
	Training	28,477	121,739
	Travel and subsistence	2,011,539	2,540,327
	Uniforms & overalls	3,213,558	1,632,191
	Water and Sanitation - Siza Water Concession area	1,587,902	4,982,955
	Electricity & Water	32,092,526	26,537,231
	Local Economic Development Projects (Entity transfers)	32,523,074	30,449,450
	Consumables (Repairs and Maintenance)	12,062,244	7,390,116
	Operational Cost (Repairs and Maintenance)	5,357,100	5,295,192
	Vehicle Hire	14,204,836	19,768,080
	Other	9,493,690	14,089,325
		139,557,114	**136,109,877**
29.1	**Repairs and Maintenance**		
	Repairs and Maintenance is made up of the following:		
	General Expenditure (Inventory Consumed)	17,419,344	12,685,308
	Contracted Services	26,365,957	12,691,434
	Total Expenditure on Repairs and Maintenance	**43,785,300**	**25,376,742**
29.2	**Gain/(Loss) on sale of assets**		
	Gain/(Loss) on sale of assets	220,829	(6,916,516)
	Total Gain / (loss) on sale of assets	**220,829**	**(6,916,516)**
30	**CORRECTION OF PRIOR YEAR ERRORS, CHANGE IN ACCOUNTING POLICY AND ADJUSTMENTS**		
30.1			
	Property, plant and equipment		
	Correction of prior year error on assets		234,000
	Correction of leased computer Equipment		
	Trade and other Receivables from exchange transactions		
	Vat Receivvable input accrual:Transfer		(19,008)
	Borrowing		
	Prior year adjustment on forex liability		(319,537)
	Inventory		
	Stock Adjustments		(1,724,936)
	Non-current receivables		
	Recovery of study loan fees relating to prior years		(11,870)
	Trade and other Payables		
	Reversal of prior year accruals		(8,697,196)
	Provision and Impairment:Litigation adjustment		2,779,897
	Other		
			(7,758,650)
30.2	**RECLASSIFICATIONS**		
	FINANCIAL LIABILITY		
	Provision classified under current laibility-trade and other payables have been reclassified as a non current financial liability and current financial		
	Umngeni Water CUC	78,318,274	42,605,405
	REVENUE		
	Revenue reclassified from Revenue from exchange transaction to Revenue from non-exchange transaction		
	Fines and Penalties	125,187	175,075
	Revenue from non exchange have been reclassified as Transferred revenue		
	Government grants and subsidies	852,674,204	790,111,215
	CONTRACTED SERVICES		
	Expenditure reclassified from General Expenditure to Contracted Services in statement of financial performance		
	PROFESSIONAL FEES kpmg	-	-
	AUDIT COMMITTEE		194,390
	EPWP grass cutting		1,011,003
	EPWP Grass cutting - EPWP Funded		2,396,186
	PAYROLL SUPPORT		100,854
	consulting asset management		-
	RISK MANAGEMENT COMMITTEE		21,838
	MEDICAL EXAMS		25,900
	MUNICIPAL GOV ADMINISTRATION		(760)
	Siza Water audit fee		174,000
	FOOD SAMPLING		62,113
	Legal Fees		1,579,957
	INVESTIGATIONS		364,834
	SALGA GAMES		115,717
	Golden game district selections		37,894
	golden games		8,050
	Entertainment		403,489
	SALGA GAMES		207,033
	Cleaning services		793,080
	disability forum		5,362
	early childhood development programme		3,008
	disability forum q2		3,150
	EAP Councilling Referrals to Psychologist		13,650
	YOUTH PROGRAMME		147,917
	EAP Staff Awards Sound		2,139
	Occupational Health and Safety		317,830
	LM SUPPORT		170,400
	CONSUMER DATA ANALYTICS		636,210
	EPWP Grass cutting - EPWP Funded		648,142
	Hygiene services		99,474
	INTERNAL AUDIT		31,000

	IDM 2020 R	IDM 2019 R
GENERAL EXPENSES		
Expenditure reclassified from Contracted Services to General Expenditure in statement of financial performance		
Plant Hire		3,761,449
Vehicle hire		19,768,080
Software Licences		110,514
Rent of offices		102,825
Fax & Copier rentals		5,043,693
Insurance premiums		2,024,964
Wireless Network		42,169
Specialised Computer Service		22,775
Specialised Computer Service		25,102
NETWORK MANAGEMENT SYSTEM		207,500
TELEPHONE MANAGEMENT SYSTEM		2,701,026
ICT DISASTER RECOVERY		378,000
30.3 TRANSFER TO / FROM ACCUMULATED SURPLUS		
		(309,598)
31 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	138,294,443	186,597,298
Adjustment for:-		
Depreciation and amortisation	115,358,509	104,329,755
Transfers to / from accumulated surplus/(deficit)	-	(309,598)
Forex gain/(loss)	301,728	6,916,516
Loss on disposal of PPE	(220,829)	72,550
Contribution to provisions - non-current	79,008,029	65,022,454
Contribution to provisions - current	991,593	3,299,859
Finance costs	8,750,085	8,154,624
Prior Year Adjustments	(7,758,650)	
Investment Income	(16,169,830)	(12,284,945)
Bad debts written off	56,197,542	1,719,245
Operating surplus before working capital changes:	**374,752,618**	**363,517,757**
Increase/ (decrease) in inventories	(673,888)	5,102,749
Increase/(decrease) in trade receivables	(32,096,532)	(5,426,360)
Increase in conditional grants and receipts	(35,865,119)	14,579,853
(Decrease) Increase in trade payables	41,996,031	(43,784,168)
Other assets (Bad debts recovered)	-	-
Other liability	-	-
Cash generated by/(utilised in) operations	**348,113,111**	**333,989,830**
32 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	226,286,063	174,702,791
Net cash and cash equivalents (net of bank overdrafts)	**226,286,063**	**174,702,791**

33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	**2020 R**	**2019 R**
33.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	14,746,808	14,746,808
Unauthorised expenditure current year	-	-
Certified as irrecoverable and written off by council in terms of MFMA section 32		
	14,746,808	**14,746,808**
Percentage written off during the period under review	**0%**	**0%**

Incident

The outstanding balance on unauthorized expenditure (i.e. **R14 746 808,00**) relates to the implementation of Lower Thukela Bulk Water Supply Scheme (LTBWSS) which was funded through the Regional Bulk Infrastructure Grant (RBIG) from the Department of Water and Sanitation (DWS). The incidence occurred during 2016/17 financial year as a result of grant expenditure exceeding both grant allocation as well as budget provision for the year in question. The initially approved grant allocation for the 2016/17 financial year for iLembe District Municipality was **R156mil** per the originally gazetted DoRA. This allocation was later reduced to **R126mil**. The reduction in grant allocation was factored in the main adjustment budget for 2016/17during February 2017, however, at the time DWS decision to cut back was communicated, work had already been performed and invoices issued by the service provider concerned (i.e. Black Balance Projects Pty LTD and the expenditure committed up to the value of R156mil as was informed by the original grant allocation). This therefore resulted in over expenditure on the grant allocation and , by implication, on the budget provision for 2016/17 financial year.

Through negotiated settlement with the service provider concerned, the amount due, which was basically the amount by which the 2016/17 grant allocation had been exceeded was only paid in July 2017 (which was the first month) in the 2017/18 financial year and was paid for from the 2017/18 RBIG allocation. Invoices concerned were certified by the Department of Water and Sanitation upon submission to the Department (i.e. during 2017/18).

Action taken

This matter was presented before Council during 2017/18 financial year wherein Council considered and noted the unauthorised expenditure in question. Council resolved to refer the matter to MPAC for further investigation. At the time concluding preparation of 2019/20 annual financial statements, Council had resolved that the task of executing the required investigation be referred to the Municipal Disciplinary Board to conduct thorough inveestigation and submit its recommendations to Council.

33.2 Fruitless and wasteful expenditure	**2020 R**	**2019 R**
Reconciliation of fruitless and wasteful expenditure		
Opening balance	76,804	76,804
Fruitless and wasteful expenditure current year	-	-
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials		
	(76,804)	-
Balance carried forward	-	76,804

Incident

The **R76 804,22** relates to arrear interests raised by and paid to various suppliers / service providers in lieu of late payment for goods supplied and/or services renderd to the Municipalities by such suppliers / service providers during 2017/18 financial year.

This amount was previously certified as irrecoverable and written off by Council during 2018/19 financial year but had to be referred back to Council for a proper resolution as the initial one had been challenged by the Auditor General on the basis that the wording was not sufficiently clear that Council had granted approval for the write off.

	IDM 2020 R	IDM 2019 R

Action taken

Municipal Public Accounts Committee (MPAC) had investigated the matter and concluded that no one was found to be responsible for the failure on the part of the Municipality not to pay timeously as all the late payments concerned were as a result of unavailability of cash to make honour payments when they fell due.

On the basis of MPAC recommendations to Council, the amount of **R76 804,22** which was incurred as fruitless and wasteful expenditure was certified as irrecoverable and approved for write off by Council at a meeting that took place on the 30th of January 2020.

33.3 Irregular expenditure

	2020 R	2019 R
Reconciliation of irregular expenditure		
Opening balance	479,023,962	53,405,687
Irregular expenditure raised in current year but relating to prior years	10,001,776	350,819,890
Irregular expenditure incurred during the current financial year	51,657,098	74,798,385
Certified by council as irrecoverable and written off: Prior Years	(472,688,824)	
Certified by council as irrecoverable and written off: Current Year	(45,209,547)	
	22,784,465	**479,023,962**
Percentage written off during the period under review	**87%**	**0%**

33.3.1 Irregular expenditure raised in current year but relating to prior years

	2018/19
Joat Consulting Group	10,001,776

Incident

The **R10 001 775.94** pertains to irregular expenditure resulting from transactions with Joat Consulting Group who were engaged by the Municipality to undertake implementation of an intervention programme that sought to manage the non-revenue water losses with an intention to reduce such losses. The initial appointment took place in 2008 and this was followed with serioes of contract extensions that ensued up to the period ending 30 June 2018. It was established that at least the last extension was not valid leading to the expenditure linked thereto being classified as irregular expenditure. The expenditure in question was incurred during 2018/19 though paid for during 2019/20 financial year.

Action taken

This irregular expenditure was tabled before Council during 2019/20 financial year. Council resolved to refer this expenditure to MPAC for further investigation.

MPAC investigated this irregular expenditure and determined that due to the complex legalities around contract extensions, it would be more appropriate to refer this matter for external investigation. At the time of reporting, Council had approached KwaDukuza Local Municipality to have its Internal Audit Division given the task of executing the required investigation and report back on the outcomes thereof to MPAC and Council.

Any further actions will be dependent on the outcome of investigation currently in progress.

33.3.2 Irregular expenditure incurred during the current financial year

There were no new incidents of irregular expenditure identified during the year under review. The irregular expenditure disclosed pertains to historic matters as detailed below.

	2019/20
Wesbank	15,308,410
Isidingo Security Services	36,348,688
	51,657,098

Incident

1) Wesbank

The irregular expenditure on Wesbank contract is historic. It was initially classified as irregular during 2017/18 after which it was tabled before Council, who resolved to refer the matter to MPAC for investigation. Wesbank had been appointed in July 2014 to supply vehicles through a full maintenance lease (FML) arrangement. Subsequent to expiry of the initial contract, it was extended for a period of six months through application of Section 116 of the Municipal Finance Management Act, Act No. 56 of 2003 ("MFMA"). At the expiry of six months extension, the contract was subjected to a month to month contract pending finalization of bid processes to secure a new contract. As part of preparatory processes to undergo an open bid,the Municipality conducted a comprehensive fleet assessment which informed the tender specification. Two tender processes were undertaken and both had challenges and were therefore not successfully concluded The last bid process undertaken (i.e. for a third occassion) was conluded in July 2019. The newly appointed service provider concluded delivery of vehicles in October 2020. Due to the staggered delivery of vehicles, the Municipality was compelled to retain Wesbank vehicles throughout 2019/20 financial year with the last batch returned during the month of June 2020.

	IDM 2020 R	IDM 2019 R

2) Isidingo Security Services

The irregular expenditure on Isidingo Security Services contract is historic. It was initially classified as irregular during 2017/18 after which it was tabled before Council, who resolved to refer the matter to MPAC for investigation. Isidingo Security Services had been appointed in July 2012 to render security services.

Subsequent to expiry of the initial contract, it was extended for a period of six months through application of Section 116 of the Municipal Finance Management Act. Act No. 56 of 2003 ("MFMA"). At the expiry of six months extension, the contract was subjected to a month to month contract pending finalization of bid processes to secure a new contract. As part of preparatory processes to undergo an open bid, the Municipality conducted a comprehensive security needs assessment which informed the tender specification.

Two tender processes were undertaken of which the first one could not be successfully concluded due to the fact that all returned bids were above the available budget. This nessecitated a revision to the original spefification by reducing the number of personnel security required and in some instances by removing certin aspects of security requirements in order to fit in the budget provision. The The second bid process was finalized in January 2019 where upon a new security company was appointed. This appointment was challenged by two contending bidders through bids objection process. The objection was dealt with internally first wherein one of the contenders dropped their objection. The remaining contender (namely Isidingo Security Services) appealled and the matter was escalated to the KwaZulu Natal Provincial Treasury (KZN PT) who appointed a panel of attorneys to arbitrate on the matter through its Municipal Bids Arbitration Tribunal (MBAT) process. MBAT panel concluded its arbitration process in November 2019 and ruled that the tender process should be advertized again. The contending bidder lodged a notice to appeal the decision of the MBAT panel through a court process and also notified the Municipality to hold any bid processes in abeyance. The argument by Isidingo Security Services is that MBAT ruling should have ordered that they be appointed (instead of initiating a fresh bid process) since they were the second most responsive bidder in terms of the security bid that was a subject of objection.

After the Municipality had consulted with KZN PT on the matter, it proceeded to issue a new bid notice for security services in February 2020. The appellant sought a court interdict to stop the Municipality from proceeding with bid processes. In March 2020, the court ordered the Municipality not to proceed with the new security bid process pending finanlization of the contending bidder s appeal being dealt with at the High Court. Through a legal

Action taken

1) Wesbank

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

The outcome of investigation conducted by MPAC revealed that Management appeared to have followed all due processes in addressing the matter of procuring a new contract for the supply of security services. All the impeding factors that were encountered, resulting in the recurring irregular expenditure on a month to month contract with Isidingo Security Services were beyond Management control. This has been exacerbated by the fact that the matter has become sub judice.

The Municipality is therefore awaiting the outcome of the court processes to guide on the way forward on this matter.

2) Isidingo Security Services

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

The outcome of investigation conducted by MPAC revealed that Management appeared to have followed all due processes in addressing the matter of procuring a new contract for the supply of vehicles. All the impeding factors that were encountered, resulting in the recurring irregular expenditure on a month to month contract with Isidingo Security Services were beyond Management control.

Irregular expenditure certified by council as irrecoverable and written off in terms of MFMA Section 32 during the financial year under review

During 2019/20 financial year, Council certified as irrecoverable and approved the following irregular expenditure **(517 898 371.01)** for write off. The financial years in which the respective amounts of irregular expenditure were identified is tabulated for ease of reference.

	2019/20	2018/19	2017/18	Total
Narrine Perumal & Co.	-	-	259,345	259,345
EOH V & V Consultants	-	-	884,623	2,930,044
iLembe Regional Taxi Council	-	150,000	-	150,000
Businesses given preference on the basis of being located within iLembe area of jurisdiction	-	873,876	-	873,876
Invalid Contracts Extensions - Various Service Providers [these contract extensions were undertaken in February	-	369,982,749	-	369,982,749
Wesbank (First Auto Cards)	-	-	6,495,802	6,495,802
Wesbank (Municipal Fleet)	12,398,587	25,435,524	12,556,496	50,390,607
Isidingo Security Services	32,810,960	29,176,226	24,828,761	86,815,948
	45,209,547	**425,618,375**	**45,025,027**	**517,898,371**

Incident

The above listed expenditures were tabled before Council during 2018/19 financial year. Council had resolved that these expenditures be certified as irrecoverable and be approved for write off. While auditing 2018/19 annual financial statements, the Auditor General (AG) raised an audit finding tthat Council Resolutions giving effect to the write offs in question were not properly crafted. AG conbcluded that the same expenditure be regarded as not as having been written off be restated as such in the annual financial statements for 2018/19 financial year.

1) Narrine Perumal & Co.

Narrine Perumal & Co. had been appointed by the Municipality during 2011 to undertake debt collection services. This appointed was made without following all due SCM processes. The terminated the company's services during 2017/18. The payments made were in settlement of outstanding fees to enable handing over of files back to the Municipality upon termination of contract with Narrine Perumal & Co..

2) EOH V & V Consultants

EOH V & V Consultants had been appointed by the Municipality to manage the implementation of Rural Roads Assets Management System (RRAMS) project and were appointed through an invalid SCM Regulation 32 from Zululand District Municipality during 2015/16 financial year. The expenditure was classified as irregular on the basis of this company's appointment to Zululand District Municipality being found to be invalid. The Municipality thereafter terminated the contract of EOH V & V Consultants.

3) iLembe Regional Taxi Council

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

4) Businesses given preference on the basis of being located within iLembe District's area of jurisdiction

During 2018/19 audit, the Auditor General raised an audit finding against the Municipality's application of SCM policy clause that sought to give preference to the emerging contractors located within iLembe region when awarding work. The audit finding leaned on the fact the definition of "local" is incorrectly confined within the Municipal area of jurisdiction and thereby unfairly disadvantaging other competitive bidders within South African boarders. In essence, the AG argued that the definition of "local" refers to businesses operating within South African boarders. The Municipality had awarded work to 8 business (during 2018/19 financial year) using the SCM policy clause in question and the total value of work amounted to **R873 876.00**. Based on the AG finding, this amount was subsequently added in the list of irregular expenditure incurred during 2018/19 financial year.

5) Invalid Contracts Extensions - Various Service Providers [these contract extensions were undertaken in February 2016]

During the audit of 2018/19 financial year, the Auditor General identified twelve (12) contracts that had been extended in 2016 without fully complying with the provisions of Section 116 of the MFMA. The total value of the contracts in question amounts to **R369 982 748.95**. The Auditor General concluded that based on the sequence of events, it would appear that the process to extend the contracts in question unfolded before the matter was tabled before Council and maintained that since the decision to extend or modify contracts is reserved to Council, such rendered the process to extend those contracts irregular. As such, this amount was subsequently added in the list of irregular expenditure identified during 2018/19 but relating to prior

	IDM 2020 R	IDM 2019 R

4) Businesses given preference on the basis of being located within iLembe District's area of jurisdiction

During 2018/19 audit, the Auditor General raised an auidt finding against the Municipality's application of SCM policy clause that sought to give preference to the emerging contractors located within iLembe region when awarding work. The audit finding leaned on the fact the definition of "local" is incorrectly confined within the Municipal area of jurisdiction and thereby unfairly disadvantaging other competitive bidders within South African boarders. In essence, the AG argued that the definition of "local" refers to businesses operating within South African boarders. The Municipality had awarded work to 8 business (during 2018/19 financial year) using the SCM policy clause in question and the total value of work amounted to **R873 876.00**. Based on the AG finding, this amount was subsequently added in the list of irregular expenditure incurred during 2018/19 financial year.

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6) Wesbank

Information on this irregular expenditure is detailed above (refer section dealing with irregular expenditure incurred during the current fincial year i.e 2019/20).

7) Isidingo Security Services

Information on this irregular expenditure is detailed above (refer section dealing with irregular expenditure incurred during the current fincial year, i.e.
Action taken

1) Narine Perumal & Co.

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

The outcome of investigation conducted by MPAC revealed+B120 that all Municipal officials who were responsible for procuring services of the company in question had since left the the Municipality. The Municipality terminated the services of Narrine Perumal & co. during 2017 and has since engaged on a panel of debt collectors through a proper SCM process.

2) EOH V & V Consultants

After the matter had been referred to MPAC by Council, the Committee conducted its investigation and referred the matter for external investigation. The Municipality engaged CNgubane & Associates to execute an external investigation. The outcome of external investigation revealed that from the facts gathered during the investigation process, EOH V & V Consultants appeared to have dutifully rendered the services for which they were contracted to do and that there was value for money received by the Municipality. CNgubane & Associates concluded that there appeared to have been gaps on the part of Municipal officials in verifying validity and correctness of appoitment of EOH V & V Consultants in Zululand District Municipality. On the basis of this finding, the firm of attorneys recommended that certain Municipal officials be subjected to internal disciplinary processes. At the time concluding preparation of 2019/20 annual financial statements, the internal disciplinary processes in question were still in progress.

On the basis of MPAC recommebndations, and after taking the outcome of the external investigation into consideration, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off. Notwithstanding this, Council is to be apprised of the final outcome of the internal disciplinary processes, once concluded.

3) iLembe Regional Taxi Council

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

Not withstanding the decision of Council to certify the irregular expenditure concerned as irrecoverable and approved it to be written off, Concil instructed Management to engage with all the taxi associations within the iLembe District with a view to assist them to comply with SCM requirements in order to avoid recurrence of similar irregularities in future. Furthermore, Management would engage with Provincial Treasury and/or any other relevant Provincial or National Government Departments as well as other municipalities in order to solicit expert advice on how other government structures deal with the issue of awarding work to the taxi industry without encountering irregularities.

4) Businesses given preference on the basis of being located within iLembe District's area of jurisdiction

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

Council tasked Management to engage with Provincial or National Treasury with a view to solicit expert advice on how implementation of the local content policy provision can be done without attracting any transgressions in future.

5) Invalid Contracts Extensions - Various Service Providers [these contract extensions were undertaken in February 2016]

After the matter had been referred to MPAC by Council, the Committee conducted its investigation on the matter and concluded that the officials involved and/or responsible for these contract extensions be subjected to consequence management processes. MPAC further concluded that it would appear that the projects to which the contract extensions in question were applied, were indeed implemented. There was therefoe no reason to believe that the Municipality suffered any financial losses in so far as implementation of the projects in question was concerned. What appeared to have been the gap was the lack of following proper and requisite SCM processes applicable to contract extensions.

On the basis of MPAC recommebndations, and after taking the above stated factors into consideration, Council certified the irregular expenditure concerned as irrecoverable and approved it to B125be written off.

6) Wesbank

Information on this irregular expenditure is detailed above (refer section dealing with **irregular expenditure incurred during the current fincial year i.e 2019/20**)

7) Isidingo Security Services

Information on this irregular expenditure is detailed above (refer section dealing with **irregular expenditure incurred during the current fincial year, i.e. 2019/20**)

Outstanding Matters of Irregular Expenditure

	2019/20	2018/19	2017/18	Total
Wesbank	2,909,823	-	-	2,909,823
Isidingo Security Services	3,537,727			3,537,727
Utility Systems (Pty) LTD	-	-	6,335,239	6,335,239
Joat Consulting Group	10,001,776	-	-	10,001,776
	16,449,327	-	**6,335,239**	**22,784,565**

	IDM 2020 R	IDM 2019 R

6) Wesbank

Information on this irregular expenditure is detailed above (refer section dealing with irregular expenditure incurred during the current fincial year i.e 2019/20)

7) Isidingo Security Services

Information on this irregular expenditure is detailed above (refer section dealing with irregular expenditure incurred during the current fincial year, i.e

Action taken

1) Narine Perumal & Co.

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations. Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off

The outcome of investigation conducted by MPAC revealed+B120 that all Municipal officials who were responsible for procuring services of the company in question had since left the the Municipality. The Municipality terminated the services of Narrine Perumal & co during 2017 and has since engaged on a panel of debt collectors through a proper SCM process.

2) EOH V & V Consultants

After the matter had been referred to MPAC by Council, the Committee conducted its investigation and referred the matter for external investigation. The Municipality engaged CNgubane & Associates to execute an external investigation. The outcome of external investigation revealed that from the facts gathered during the investigation process, EOH V & V Consultants appeared to have dutifully rendered the services for which they were contracted to do and that there was value for money received by the Municipality. CNgubane & Associates concluded that there appeared to have been gaps on the part of Municipal officials in verifying validity and correctness of appoitment of EOH V & V Consultants in Zululand District Municipality. On the basis of this finding, the firm of attorneys recommended that certain Municipal officials be subjected to internal disciplinary processes. At the time concluding preparation of 2019/20 annual financial statements, the internal disciplinary processes in question were still in progress

On the basis of MPAC recommebndations, and after taking the outcome of the external investigation into consideration, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off. Notwithstanding this, Council is to be apprised of the final outcome of the internal disciplinary processes, once concluded

3) iLembe Regional Taxi Council

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as
Not withstanding the decision of Council to certify the irregular expenditure concerned as irrecoverable and approved it to be written off, Concil instructed Management to engage with all the taxi associations within the iLembe Distnct with a view to assist them to comply with SCM requirements in order to avoid recurrence of similar irregularities in future. Furthermore, Management would engage with Provincial Treasury and/or any other relevant Provincial or National Government Departments as well as other municipalities in order to solicit expert advice on how other government structures deal with the issue of awarding work to the taxi industry without encountering irregularities.

4) Businesses given preference on the basis of being located within iLembe District's area of jurisdiction

After the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

Council tasked Management to engage with Provincial or National Treasury with a view to solicit expert advice on how implementation of the local content policy provision can be done without attracting any transgressions in future.

5) Invalid Contracts Extensions - Various Service Providers [these contract extensions were undertaken in February 2016]

After the matter had been referred to MPAC by Council, the Committee conducted its investigation on the matter and concluded that the officials involved and/or responsible for these contract extensions be subjected to consequence management processes. MPAC further concluded that it would appear that the projects to which the contract extensions in question were applied, were indeed
implemented. There was therefoe no reason to believe that the Municipality suffered any financial losses in so far as implementation of the projects in question was concerned. What appeared to have been the gap was the lack of following proper and requisite SCM processes applicable to contract extensions.

On the basis of MPAC recommebndations, and after taking the above stated factors into consideration, Council certified the irregular expenditure concerned as irrecoverable and approved it to B125be written off.

6) Wesbank

Information on this irregular expenditure is detailed above (refer section dealing with **irregular expenditure incurred during the current fincial year i.e 2019/20**)

7) Isidingo Security Services

Information on this irregular expenditure is detailed above (refer section dealing with **irregular expenditure incurred during the current fincial year, i.e. 2019/20**)

Outstanding Matters of Irregular Expenditure

	2019/20	2018/19	2017/18	Total
Wesbank	2,909,823	-	-	2,909,823
Isidingo Security Services	3,537,727			3,537,727
Utility Systems (Pty) LTD	-	-	6,335,239	6,335,239
Joat Consulting Group	10,001,776	-	-	10,001,776
	16,449,327	**-**	**6,335,239**	**22,784,565**

	IDM 2020 R	IDM 2019 R

Incident

1) Wesbank

Wesbank contract is discussed in detail above (refer section dealing with **irregular expenditure incurred during the current fincial year i.e 2019/20**). The amount that is reflected as outstanding is a portion relating to the last invoice raised by Wesbank and is in lieu "make good repairs" that were undertaken upon return of the last batch of vehicles in June 2020. It is a standard practice on "Full Maintanance Lease" arrangments that the lessee is responsible for bringing the leased vehicle to the leasing party in a state such leased vehicles were when they were brought into use (save for the usage wear and tear factor). In order to circumvent assuming responsibility for monthly lease payments whilst vehicles were out for repairs, the Municipality opted for Wesbank to collect vehicles and to undertake the required repairs themselves and bill the repair costs back to the Municipality.

2) Utility Systems (Pty) LTD

Utility Systems (Pty) Ltd was engaged by the Municipality in July 2013 to rollout the prepaid metering system including supplying related materials and the vending software. The contract was set to expire in June 2016. Services of this company were however utilized between July 2016 and June 2017, which was subsequent to the expiry of the contract. This incidence occurred during the time when the Municipality's contract management processes were not effective and internal controls poor, hence this was not detected before occurring.

3) Joat Consulting Group

The **R10 001 775.94** pertains to irregular expenditure resulting from transactions with Joat Consulting Group who were engaged by the Municipality to undertake implementation of an intervention programme that sought to manage the non-revenue water losses with an intention to reduce such losses. The initial appointment took place in 2008 and this was followed with series of contract extensions that ensued up to the period ending 30 June 2018. It was established that at least the last extension was not valid leading to the expenditure linked thereto being classified as irregular. The expenditure in question was incurred during 2018/19 though paid for during 2019/20 financial year.

Action taken

1) Wesbank

The portion of expenditure relating to "make good repairs" was tabled before MPAC. MPAC has since requested Management to furnish the Committee with more information that is required in order to conclude its investigation on the matter. At the time of concluding preparation of annual financial statements for 2019/20 financial year, Management still had to submit the requested information to MPAC.

2) Utility Systems (Pty) LTD

After the matter had been referred to MPAC by Council, the Committee conducted its investigation and referred the matter for external investigation. The Municipality engaged CNgubane & Associates to execute an external investigation. The investigation could not be concluded due to certain information that was required in order to conclude on the matter not readily available for CNgubane & Associates to peruse and formulate appropriate recommendations. At the time concluding preparation of 2019/20 annual financial statements, Council had resolved that the task of executing the required investigation be referred to the Municipal Disciplinary Board to conduct thorough inveestigation and submit its recommendations to Council.

3) Joat Consulting Group

This irregular expenditure was tabled before Council during 2019/20 financial year. Council resolved to refer this expenditure to MPAC for further investigation.

MPAC investigated this irregular expenditure and determined that due to the complex legalities around contract extensions, it would be more appropriate to refer this matter for external investigation. At the time of reporting, Council had resolved that the task of executing the required investigation be referred to the Municipal Disciplinary Board to conduct thorough inveestigation and submit its recommendations to Council.

MPAC investigated this irregular expenditure and determined that due to the complex legalities around contract extensions, it would be more appropriate to refer this matter for external investigation. At the time of reporting, Council had resolved that the task of executing the required investigation be referred to the Municipal Disciplinary Board to conduct thorough inveestigation and submit its recommendations to Council.

Any further actions will be dependent on the outcome of investigation currently in progress

	2020 R	2019 R
33.4 Deviations		
Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:		
Total value	7,632,809	27,243,431
	7,632,809	**27,243,431**

The majority of transactions that were classified as deviations were for plant hire (water tanker, TLB), mechanical pump and electrical plant repairs, supply of water purification chemicals, supply and delivery of Covid-19 items as well as the purchase of Internal Audit Software. The majority of these transactions have now been addressed through the contracts/panels of service providers valid for three years. This panel/contract will address the unjustifiable deviations which often created irregular expenditure. Most of these transactions were often as a result of emergency requests from the User Departments.

33.4.1 Other MFMA Disclosures - Section 114

Section 114 of the MFMA permits the Accounting Officer to approve a tender "other than the one recommended through a normal procurement process". The Accounting Officer is required report such a deviation to the Auditor General, the Provincial Treasury and the National Treasury within 10 working days (in terms of Regulation 29(7) of the Municipal SCM regulations, 2005) stating the reasons that necessitated such a decision.

Date of Award: 19/02/2020	Bid number: TS/204/2019	Description of Goods/Services/Works: MACAMBINI WATER SUPPLY PHASE 4C-	Award Value: R 23 400 000.00	BEC Recommendation: R & B PIPELINE	BEC Recommendation: SINETHEMBA CONSTRUCTION

Emanating from the evaluation process, R&B pipeline contractors (pty) ltd emerged as the most responsive bidder in a total of four projects namely, TS/201/2019, TS/204/2019, TS/205/2019/ TS/206/2019. The matter was then referred to the enterprise risk management unit for input since at the original sitting of the BAC meeting held on 6 February 2020 whereby the BAC had reservations that a single bidder stood to be awarded a total of 4 bids. The 4 contracts in question would have been running concurrently (by the same contractor) putting a strain on management resources of the company as understood by the BAC. The 4 contracts were not within the same or similar locations and this would also place additional strain on the management of the said company to manage these projects effectively. The BAC felt that there is too much risk for the municipality to award this number of bids to 1 company as it had learnt lessons from past experiences whilst making similar awards.

Date of Award: 19/02/2020	Bid number: TS/206/2019	Description of Goods/Services/Works: SHAKAVILLE AND INDUSTRIAL AREA	Award Value: R 21 118 225.64	BEC Recommendation: R & B PIPELINE	BEC Recommendation: USWAZI PROJECTS

Emanating from the evaluation process, R&B pipeline contractors (pty) ltd emerged as the most responsive bidder in a total of four projects namely, TS/201/2019, TS/204/2019, TS/205/2019/ TS/206/2019. The matter was then referred to the enterprise risk management unit for input since at the original sitting of the BAC meeting held on 6 February 2020 whereby the BAC had reservations that a single bidder stood to be awarded a total of 4 bids. The 4 contracts in question would have been running concurrently (by the same contractor) putting a strain on management resources of the company as understood by the BAC. The 4 contracts were not within the same or similar locations and this would also place additional strain on the management of the said company to manage these projects effectively. The BAC felt that there is too much risk for the municipality to award this number of bids to 1 company as it had learnt lessons from past experiences whilst making similar awards. With reference to the above bids, the company in question had submitted bids which were below the engineers estimates which indicated that completion of 4 projects may be a risk for the

		IDM 2020 R	IDM 2019 R
34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
34.1 Contributions to organised local government			
Opening balance		-	-
Council subscriptions		2,470,388	2,198,717
Amount paid - current		(2,470,388)	(2,198,717)
Adjustment		-	-
Balance unpaid (included in payables)		**-**	**-**
34.2 Audit fees			
Current year audit fee		3,629,825	3,277,397
Amount paid - current year		(3,629,825)	(3,277,397)
Balance unpaid (included in payables)		**-**	**-**
34.3 VAT			
VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.			
34.4 PAYE and UIF			
Opening balance		1,019,852	2,619,507
Current year payroll deductions		34,531,492	31,586,572
Amount paid - current year		(31,614,131)	(28,946,720)
Amount paid - previous years		(2,639,852)	(4,239,507)
Balance unpaid (included in payables)		**1,297,361**	**1,019,852**
The balance represents PAYE and UIF deducted in June 2020 payroll. This amount was paid in July 2020.			
34.5 Pension and Medical Aid Deductions			
Opening balance		2,112,492	3,479,821
Current year payroll deductions and Council Contributions		47,833,894	44,698,889
Amount paid - current year		(45,490,788)	(42,586,397)
Amount paid - previous years		(2,112,492)	(3,479,821)
Balance unpaid (included in payables)		**2,343,106**	**2,112,492**
The balance represents Pension & Medical aid deducted in June 2020 payroll. These amounts were paid in July 2020 except for Medical Aid and RA were paid in the month of deduction which is June 2020.			
34.6 Councillor's arrear consumer accounts			
Councillor Van Whye GJ		-	*895*
Councillor Singh R		1,623	
Councillor Mpofu MD		1,295	
Councillor MD Shandu		180	327
Councillor MS Singh		1,559	2,514
Councillor IP Dube		826	751
Total Councillor Arrear Consumer Accounts	**-**	**5,483**	**4,487**

		IDM 2020 R	IDM 2019 R
34.6	**Material losses**		
34.7.1	**Asset impairment (losses)/ Reversal**	**(4,346,310)**	**(6,220,604)**

The current year impairment is a result of ageing infrastructure, there is no impact of COVID-19 in the current year impairment.

34.7.2	**Debt impairment (losses)**	**56,197,542**	**1,719,245**

The recognised debt impairment loss is not as a result of economic impact of the COVID-19 crisis

Although the revenue collection has slightly improved compared to the prior year, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive handed over accounts that are accumulating interest with no corresponding payments, pensioner accounts, long standing debts which affect section 118 and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts.

34.7.3

Distribution Losses	**Percentage distribution**		
Units lost (kilolitres)			
Illegal connections and other	8%	1,745,196	898,557
Main leaks	40%	8,474,037	4,598,817
Reservoir overflows	5%	1,049,203	158,580
Metering Inaccuracies	17%	3,525,320	1,198,077
Service connection leaks	30%	6,190,295	11,100,593
Units lost (kilolitres)	**100%**	**20,984,050**	**17,954,624**
Units lost (sales price per kilolitre - rands)		20,919,362	187,892,388
Units lost (purchase price per kilolitre - rands)		123,808,449	92,967,878
Units lost (percentage)		59.92%	61.74%

The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

34.7.4 **Non-Compliance with Section 65 (2) of the Municipal Finance Management Act - Payments of creditors within 30 days from date of receipt**

	2019/20	2018/19
Number of days unpaid creditors at 30 June	81 days	62 days
Average number of days unpaid creditors during the year	46 days	46 days
Value of creditors not paid within 30 days during the year	38,535,159	78,555,669
Percentage of creditors paid within 30 days	95%	90%

The inability to pay creditors on time is a direct result of the cash flow challenges currently being faced by the municipality and this is linked to the broader financial viability challenge. Council adopted a financial turnaround implementation plan in December 2016 which is currently being implemented. In terms of the financial turnaround strategy, it was envisaged that the municipality would be able to turn the current undesirable financial situation in a period of three years with effect from December 2016. There are improvements in the efficiency of paying creditors on time when comparing to the previous years. On average it took 42 days to pay creditor invoices during 2019/20 financial year compared to 49 days in 2018/19 financial year. In terms of the number of days calculated at year end, 81 days was reported at 30 June 2020 compared to 71 days in June 2019.

34.7.5 **Forex Losses**

Total Forex Liability as at 30 June	1,502,799	2,451,734
Forex Gain/ (Losses)	(301,728)	(72,550)

The material forex losses arising from the Microsoft License forex liability was due to unexpected adverse fluctuations in the rand dollar exchange rate

The Sport rate at 30 June 2020 was 17.3312 should the spot rate increase by 1% the foreign liability will be R1 517 826.67 and the foreign loss will increase to R304 744.86. Should the spot rate decrease by 1% the Forex liability will be R1 487 770.69 and the Forex loss will decrease to R298 710.30.

Foreign Liability increase R 1 502 798.68*1.01 **=R1 517 826.67**

Foreign loss increase R 301 727.58* 1.01 **=R304 744.86**

34.7.6 **INVESTMENT IN CONTROLLED ENTITY**

Investments in cotrolled entity - Enterprise Ilembe Development Agency	100	100
% Holding	100%	100%
Ordinary Share: 100 @ R1 each		

34.7.7 **FREE BASIC SERVICES SIZA WATER - DISCLOSURE NOTE**

Expenditure incurred during the financial year under review	6,003,330
Less Credit Adjustments passed by Siza Water at 30 June 2020	(4,415,429)
Siza Water has a 30 year Concession Agreement with the Municipality and in terms of this agreement, Siza Water (the Concessionnaire) is responsible for rendering services on behalf of the Municipality within the Concession Area. Forming part of the principal services that the Concessionnaire is responsible for is the provision of water within the Concession Area. As a Water Service Provider within the Concession Area, Siza Water has an agreement with Umgeni Water for the supply of bulk water. There has been a matter of dispute on the tariff which Umgeni Water should have used to charge Siza Water for the bulk water purchased. The matter went through all the requisite dispute resolution processes until it was escalated to the court of law. After a number of years of the dispute in question, the court ruled in favour of Siza Water. Umgeni Water had therefore to refund to Siza Water what was considered to have been an overcharge due to the incorrect tariff having been applied by Umgeni Water during the period under consideration. As per the Concession Agreement, the Municipality is responsible to pass on to Siza Water on a monthly basis "the free basic component" of the equitable share based on the number of qualifying indigents within the Concession Area. The amounts charged by Siza Water in this regard are determined in line with the prevailing Umgeni Water tariff of charges. What this effectively means is that during the period of dispute, the Municipality would have been charged based on tariff higher than what it should have been. This therefore resulted in Siza Water refunding the Municipality the amount by which the Municipality had	
Net Expenditure Disclosed in the Annual Financial Statements	**(4,415,429)**

	IDM 2020 R	IDM 2019 R
35 UMNGENI CAPITAL UNIT CHARGE		
Capital Unit Charge		
-Opening balance	42,605,405	
- Deposit	42,239,391	42,605,405
- Transferred to current portion	(6,526,523)	
- Other adjustments		
Total capital Charge	**78,318,274**	**42,605,405**
Less : Current portion transferred to current liabilities	6,526,523	-
Non Current portion of Capital Unit Charge	71,791,751	42,605,405
	78,318,274	**42,605,405**

LONG TERM CREDITOR - UMGENI WATER (SPRING GROVE DAM CAPITAL UNIT CHARGES) CUC DEBT

BALANCE AT THE BEGINNING OF THE YEAR	42,605,405
ADDITIONS DURING THE YEAR	35,712,868
The Department of Water Affairs commissioned water transfer scheme project for the purpose of augmenting supply of potable water within the Mgeni System through implementation of the MMTS-2. The project is funded and implemented by Trans-Caledon Tunnel Authority (TCTA) under a directive from the Minister of the Department of Water Affairs as it was then known which is now called the Department of Human Settlements, Water and Sanitation. Part of the TCTA mandate was also to provide the mechanism to repay the costs related to the project. The construction costs of MMTS-2 are financed (in the main) through loan funding from a variety of funders including Agence Française de Développement, the European Investment Bank, the KfW Bankengruppe and the Development Bank of Southern Africa (DBSA). The repayment model of the loan funding would take the form of recoveries from all the Mgeni Water System users and this process would be administered by Umgeni Water. iLembe District Municipality (hereinafter referred to as the Municipality), being one of the Mgeni Water System users, was required to contribute its share towards the construction costs through an additional charge on the monthly bulk water purchase bill from Umgeni Water. The additional charge, for the purpose of the recovery in question is referred to as Capital Unit Charges and the period of recovery was set to 20 years starting from 2012 ending in 2032. Upon recovery, Umgeni Water passes this contribution onto TCTA. This process was supposed to be regulated in terms of a separate "Water Use Agreement" (also referred to as the agreement). The Municiplality started paying its contributions in 2012 and then stopped paying the CUC around 2014 on the basis that there was no signed agreement in place as well as the fact that there was no clarity as to what was the direct benefit to the Municipality to be derived from the MMTS-2. On this basis, the Municipality lodged a dispute in terms of Section 42 of the MFMA and the matter was referred to SALGA for arbitration. At a later stage, SALGA ruled that parties had to conclude and sign the agreement which would then regulate MMTS-2 water supply matters and the applicable charges, in the main, being the Capital	
It took very long time to conclude the process of getting the agreement signed as this was only concluded at the end of June 2020. Whilst the dispute process was in progress, Umgeni Water continued to bill the Municipality and at the time of concluding the agreement, the debt had accumulated to R74 920 321.84. Umgeni Water has not been charging any interest costs on the unpaid contributions and, in terms of the agreement that has been concluded, the Municipality will settle this amount over a period of 12 years, beginning on the 1st of July 2020 ending 30 June 2032. Annual repayments are set at R6 526 522.80 which translates into monthly repayments of R543 876.90 with no interest charged. In addition, Umgeni Water will bill the Municipality, on a monthly basis, the current share of CUC which the Municipality will record in its books as part of Bulk Water Purchases. The accumulated debt had previously been classified under provisions according to the assessment conducted by Management during 2018/19 reporting year in line with GRAP 19 (Provisions, Contingent Liabilities and Contingent Assets) mainly due to the fact that the agreement had not been signed at the time. Management has subsequently conducted another assessment post signing of the agreement and based on the terms and conditions contained in the signed agreement, concluded that the CUC Debt should be classified as "Long Term Creditor" and be disclosed under Financial Liabilities. The agreed anual repayment amount is disclosed as "Current Portion of the Long Term	
	78,318,274

36 EMPLOYEE BENEFITS INFORMATION

36.1 Defined contribution plan

The following are defined contribution plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These contributions have been expensed.

36.2 Other Long-term benefit plan

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The independent valuers carried out a statutory valuation as at 30 June 2018.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.20%	8.25%
Inflation rate	3.44%	6.23%
Net effective discount rate	3.60%	2.27%
Benchmark inflation (equal to salary inflation)	4.44%	7.00%
Average retirement age	63	63
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:		
Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	2%	2%
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	**12,519,358**	**12,087,220**

EMPLOYEE BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	12,087,220	9,526,817
Current service cost	1,041,676	932,831
Interest cost	935,528	791,834
Benefit payments	(1,494,983)	(739,456)
Actuarial (gains)/losses	(50,083)	1,575,194
Balance at end of year	**12,519,358**	**12,087,220**

The timing of the employee benefits is as follows:

Current portion of employee benefits	1,465,136	1,494,983
Employee benefit obligation	11,054,222	10,592,237
	12,519,358	**12,087,220**

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	1,041,676	932,831
Interest cost		791,834
Actuarial (gains)/losses	(50,083)	1,575,194
	991,593	**3,299,859**

	IDM 2020 R	IDM 2019 R
37 CAPITAL COMMITMENTS		
37.1 Commitments in respect of capital expenditure		
- Approved and contracted for	**340,081,386**	**262,992,295**
Infrastructure	340,081,386	262,992,295
Community		
- Approved but not yet contracted for	-	-
Infrastructure	-	-
Community	-	-
Total	**340,081,386**	**262,992,295**
This expenditure will be financed from:		
Grant funded	340,081,386	262,992,295
Council funded	-	-
External Loans	-	-
	340,081,386	**262,992,295**

	2 020	2 019 Restated
OPERATIONAL COMMITMENTS		
Commitments in respect of operational expenditure:		
- Approved and contracted for:	**7 715 548**	**7 398 815**
Infrastructure		
Community	500	7 398 815
Other	7 715 047	-
- Approved but not yet contracted for:	-	-
Infrastructure	-	-
Community	-	-
Total	**7 715 548**	**7 398 815**
This expenditure will be financed as follows:		
Grant funded	7,715,548	7,398,815
Council funded		
External Loans		
	7 715 548	**7 398 815**
TOTAL CONTRACTUAL COMMITMENTS	**347 796 934**	**270 391 110**

The amounts disclosed are VAT inclusive

	IDM 2020 R	IDM 2019 R
38 RELATED PARTIES		
Members of key management	*Section 57 managers*	
Controlled Municipal Entity	*Ilembe District Municipality has a 100%)holding in Ilembe Development Enterprise (Pty) Ltd*	
Compensation to councillors and other key management	*Refer to note 23 & 24*	
Related party balances		
Amount owed to Ilembe Enterprise included in other payables		
Amount owed by Ilembe Enterprise included in other receivables	1,092,763	871,751
Related party transactions		
Transactions with Enterprise Ilembe Development Agency		
Grant funding from the parent iLembe District Municipality to Enterprise iLembe	32,523,074	30,647,932
Shared Services - Contributions by local municipalities towards the development planning shared services	2,382,111	2,117,666
38.1 STAFF MEMBER: S Mahlangu		
General Expenses for the year	-	142,664
An employee had relations with a service provider whom provided services to the municipality.		
	-	142,664
38.2 STAFF MEMEBR: EN Ngcobo		
General Expenses for the year	68,119	134,330
An employee is a board member of CIGFARO which transacted with the municipality during the financial year under review.		
39 CONTINGENT LIABILITY		
39.1 Icon Construction		
Icon Construction | Interest Charges on arrear payments & standing time	**1,089,546**	**1,035,633**
With effect from May 2019, Icon Construction raised interest charges on arrear payments as well as standing time arrising of the contractor having abandoned construction site due to prolonged non-payment for work done. The Municipality had embarked on negotiating with Icon Construction to waive the interest charges in question. Icon Construction resorted into settling the matter through legal processes and the matter is currently awaiting court ruling. The amount disclosed is based on the statement of account dated 30 June 2020 received from Icon Construction. Management is of the view that the interest charged is not justifiable, hence the charges are being disputed.		
It is however prudent that, since the liability existed at reporting date, it be recognized as contingent liability pending		
Balance as at 30 June 2020	**1,089,546**	**1,035,633**
40 RISK MANAGEMENT		
40.1 Maximum credit risk exposure		
Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the municipality to incur a financial loss.		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.		
Financial assets exposed to credit risk at year end were as follows:		
Consumer debtors	410,497,493	350,732,511
Other debtors	-	-
Non Current Receivables	608,281	528,084
	411,105,774	**351,260,595**
Ageing of consumers		
Current (0 – 30 days)	21,030,160	33,595,548
31 - 60 Days	13,725,036	7,621,808
61 - 90 Days	11,836,052	12,179,372
91 - 120 Days	15,549,298	12,927,794
121 - 365 Days	11,089,236	15,037,236
+ 365 Days	337,267,711	269,370,753
Total	410,497,493	350,732,511
Less: Provision for bad debts	(277,977,947)	(277,984,561)
Net consumer debtors	**132,519,546**	**72,747,950**
Cash and cash equivalents	226,286,063	174,702,791
Other investments	-	-
	226,286,063	**174,702,791**
These balances represent the maximum exposure to credit risk.		
40.2 Liquidity risk		
Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due; without incurring unacceptable losses or risking damage to the Municipalities reputation.		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
The Municipalities liability are backed by appropriate assets and it has liquid resources.		
The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.		

		IDM 2020 R	IDM 2019 R
2020	**Within a year**	**Between 2 to 5 years**	**Total**
Gross finance lease obligations	14,446,227	24,495,098	**38,941,325**
Borrowings	6,765,575	33,183,941	**39,949,516**
Trade and other payables	293,746,033	-	**293,746,033**
Employee Benefit Obligation	1,465,136	11,054,222	**12,519,358**
	316,422,972	**68,733,261**	**385,156,233**

2019	**Within a year**	**Between 2 to 5 years**	**Total**
Gross finance lease obligations	1,867,971	314,989	**2,182,960**
Borrowings	6,545,964	38,226,416	**44,772,380**
Trade and other payables	324,284,218	-	**324,284,218**
Employee Benefit Obligation	1,494,983	10,592,237	**12,087,220**
	334,193,136	**49,133,642**	**383,326,778**

40.3 Interest rate risk

The Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities are fixed interest loans

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The Municipality is exposed to fair value interest rate on its external loan liabilities , which are all fixed interest rates

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	226,286,063	174,702,791
Other investments	-	-
Gross finance lease obligations	38,941,325	2,182,960
Borrowings	39,949,516	75,568,942
Consumer debtors	410,497,493	350,732,511

41 RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

	Key	Operating	Financing	Investing	Total
Amount as present in the budget statement		329,455,544 34	(4,989,500)	(328,636,183)	(4,170,139)
Actual amount as presented in the cash flow statement		355,532,857	(40,366,667)	(283,582,919)	51,583,271
Basis difference	*Applicable*	-35,000,338			(35,000,338)
Timing differences	*Not applicable*	-	-	-	
Entity differences	*Not applicable*	-	-	-	
Variance		**8,923,026**	**35,377,167**	**(65,053,264)**	**(20,753,071)**
Variance percentage		**2.71%**	**-709.03%**	**20%**	**498%**

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX A
UNAUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2020

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2019	Interest Paid during the period	Interest Accrued During the period	Redeemed / written off during the period	Balance at 30 June 2020
			R	R	R	R	R
LONG-TERM LOANS							
ABSA Bank @10.65%		2020-05-20	30,796,562	2,853,617	-	30,796,562	(0)
Development Bank of SA		2025-12-31	44,772,381	3,601,547	1,723,100	6,545,964	39,949,516
							-
Total long-term loans			**75,568,942**	**6,455,165**	**1,723,100**	**37,342,526**	**39,949,516**
Total capital creditors			**-**	**-**	**-**	**-**	**-**
TOTAL EXTERNAL LOANS			**75,568,942**	**6,455,165**	**1,723,100**	**37,342,526**	**39,949,516**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2020

	Cost / Revaluation							Accumulated Depreciation								
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Change in estimate	Reversal of impairment loss	Impairment loss	Closing Balance	Carrying Value
	R	R		R		R	R	R	R	R				R	R	R
Land	3,242,908.00	-	-	(150,000)		-	3,092,908	-	-	-	-	-	-	-	-	3,092,908
	3,242,908.00	**-**	**-**	**(150,000)**		**-**	**3,092,908**	**-**	**-**	**-**					**-**	**3,092,908**
															-	-
Buildings	**34,721,276.52**	**-**	**-**	**(1,350,000)**	**1,112,939**	**-**	**34,484,216**	**(10,878,985)**	**(1,193,087)**	**998,187**	**-**	**-**		**-**	**(11,073,885)**	**23,410,331**
Infrastructure																
Sewerage Mains & Purification	221,635,424.06	-	-	(43,560)	9,838,283	-	231,430,148	(75,043,585)	(9,782,811)	40,499		-	-	(896,299)	(85,682,196)	145,747,952
Water Mains & Purification	2,290,494,678.14	1,383,446	4,345,971	(3,798,309)	155,197,554	-	2,447,623,341	(535,204,359)	(87,496,095)	2,414,601.21	(310,116)	-	-	(3,425,907)	(624,021,876)	1,823,601,464
Under construction	561,855,303.36	-	(4,111,971)		(167,971,911)	189,457,163	579,228,584	-	-	-	-			-	-	579,228,584
	3,073,985,405.56	**1,383,445.54**	**234,000**	**(3,841,868)**	**(2,936,073)**	**189,457,163**	**3,258,282,073**	**(610,247,943)**	**(97,278,906)**	**2,455,100**	**(310,116)**	**-**	**-**	**(4,322,207)**	**(709,704,072)**	**2,548,578,000**
Total carried forward	**3,111,949,590.08**	**1,383,445.54**	**234,000**	**(5,341,868)**	**(1,823,134)**	**189,457,163**	**3,295,859,196**	**(621,126,928)**	**(98,471,993)**	**3,453,287**	**(310,116)**	**-**	**-**	**(4,322,207)**	**(720,777,957)**	**2,575,081,239**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2020

	Cost / Revaluation							Accumulated Depreciation								
	Opening Balance	Additions	Change in policy/prior year errors	Disposals		Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors			Impairment loss/Reversal of impairment loss	Closing Balance	Carrying Value
	R	R		R		R	R	R	R	R				R	R	R
Total brought forward	**3,111,949,590.08**	**1,383,445.54**	**234,000.00**	**(5,341,868)**	**(1,823,134)**	**189,457,163**	**3,295,859,196**	**(621,126,928)**	**(98,471,993)**	**3,453,287**	**(310,116)**	**-**	**-**	**(4,322,207)**	**(720,777,957)**	**2,575,081,239**
Other Assets																
Office Equipment	3,152,628.46	1,506,843.23	-	(139,815)	-	-	4,519,657	(1,649,639)	(400,598)	84,421	-			(3,012)	(1,968,828)	2,550,827
Machinery & Equipment	3,680,274.57	439,804.68	-	(5,738)		-	4,114,342	(900,733)	(629,059)	4,993	-			(123)	(1,524,921)	2,589,420
Transport Assets	9,085,570.21	10,172,229.69	-	-	1,823,134	-	21,080,934	(3,439,844)	(2,179,124)	-	-			-	(5,618,968)	15,461,966
Computer Equipment	4,268,657.80	-	-	(313,321)		-	3,955,336	(2,025,608)	(710,040)	208,174	-			(20,968)	(2,548,443)	1,406,894
							-									
	20,187,131.03	**12,118,877.60**	**-**	**(458,874)**	**1,823,134**	**-**	**33,670,269**	**(8,015,824)**	**(3,918,821)**	**297,588**	**-**	**-**	**-**	**(24,103)**	**(11,661,160)**	**22,009,107**
Finance Lease Assets																
Other Assets	3,141,236.04	40,114,920.30	-	(15,900)		-	43,240,256	(1,892,523)	(6,756,268)	13,660					(8,635,131)	34,605,125
	3,141,236.04	**40,114,920.30**	**-**	**(15,900)**	**-**	**-**	**43,240,256**	**(1,892,523)**	**(6,756,268)**	**13,660**	**-**			**-**	**(8,635,131)**	**34,605,125**
Total	**3,135,277,957.16**	**53,617,243.44**	**234,000**	**(5,816,642)**	**(0)**	**189,457,163**	**3,372,769,722**	**(631,035,275)**	**(109,147,083)**	**3,764,535**	**(310,116)**	**-**	**-**	**(4,346,310)**	**(741,074,248)**	**2,631,695,471**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2019

	Cost / Revaluation							Accumulated Depreciation							
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Transfers	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors		Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Land	3,242,908.00	-		-			3,242,908	-	-	-	-		-	-	3,242,908
	3,242,908.00	-	-	-		-	**3,242,908**	-	-	-	-		-	-	**3,242,908**
Buildings	**32,007,378.42**	-	-	-	**2,713,897**	-	**34,721,276**	**(9,709,220)**	**(1,169,765)**	-	-			**(10,878,985)**	23,842,290
Infrastructure															
Sewerage Mains & Purification	210,792,341.76	-	-		10,843,082	-	221,635,424	(64,838,245)	(9,523,475)		(745,758)	-	307,552	(243,658)	(75,043,585)	146,591,839
Water Mains & Purification	2,027,652,719.41	-	-	(9,796,891)	272,638,849	-	2,290,494,678	(443,313,133)	(81,412,922)	3,160,164	(7,353,968)	-	1,652,158	(7,936,656)	(535,204,359)	1,755,290,319
Under construction	692,965,921.20	-	(80,297,184)		(286,195,829)	235,382,395	561,855,303	-	-	-	-		-	-		561,855,303
	2,931,410,982.37	-	**(80,297,184)**	**(9,796,891)**	**(2,713,897)**	**235,382,395**	**3,073,985,406**	**(508,151,379)**	**(90,936,398)**	**3,160,164**	**(8,099,727)**	-	**1,959,710**	**(8,180,314)**	**(610,247,943)**	**2,463,737,462**
Total carried forward	**2,966,661,268.79**	-	**(80,297,184)**	**(9,796,891)**	**(0)**	**235,382,395**	**3,111,949,589**	**(517,860,599)**	**(92,106,163)**	**3,160,164**	**(8,099,727)**	-	**1,959,710**	**(8,180,314)**	**(621,126,928)**	**2,490,822,661**

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2019

	Cost / Revaluation							Accumulated Depreciation							
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Transfers	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors		Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Total brought forward	**2,966,661,268.79**	-	**(80,297,184)**	**(9,796,891)**	**(0)**	**235,382,395**	**3,111,949,589**	**(517,860,599)**	**(92,106,163)**	**3,160,164**	**(8,099,727)**	-	**1,959,710**	**(8,180,314)**	**(621,126,928)**	**2,490,822,661**
Other Assets															
Office Equipment	3,102,007.23	95,250.00		(45,629)		-	3,152,628	(1,261,617)	(411,040)	23,167					(1,649,639)	1,502,990
Machinery & Equipment	1,473,161.90	2,273,335.23		(66,223)	-	-	3,680,275	(613,916)	(327,014)	40,197					(900,733)	2,779,542
Transport Assets	8,413,227.01	672,343.20		-		-	9,085,570	(2,355,499)	(1,084,345)	-					(3,439,844)	5,645,726
Computer Equipment	4,627,796.77	120,984.72		(480,123)		-	4,268,659	(1,543,129)	(820,313)	337,834					(2,025,608)	2,243,051
	17,616,192.90	**3,162,913.15**	-	**(591,974)**	-	-	**20,187,132**	**(5,774,161)**	**(2,642,712)**	**401,198**	-	-	-	-	**(8,015,824)**	**12,171,309**
Finance Lease Assets															
Other Assets	3,328,957.04	-		(187,721)		-	3,141,236	(895,099)	(1,109,360)	111,936				-	(1,892,523)	1,248,713
	3,328,957.04	-	-	**(187,721)**	-	-	**3,141,236**	**(895,099)**	**(1,109,360)**	**111,936**	-	-	-	-	**(1,892,523)**	**1,248,713**
Total	**2,987,606,418.74**	**3,162,913.15**	**(80,297,184)**	**(10,576,586)**	**(0)**	**235,382,395**	**3,135,277,957**	**(524,529,860)**	**(95,858,234)**	**3,673,298**	**(8,099,727)**	-	**1,959,710**	**(8,180,314)**	**(631,035,275)**	**2,504,242,683**

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX C
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2020

	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposal R	& Impairment Loss/Reversal	Closing Balance R	Carrying value R
Executive & Council	13,354,228	10,172,230		(313,321)	23,213,136	(5,465,452)	(2,889,165)	208,174	(20,968)	(8,167,411)	15,045,726
Finance & Admin	44,797,088	1,946,648		(1,645,552)	45,098,183	(13,429,356)	(2,222,744)	1,087,601	(3,135)	(14,567,634)	30,530,549
Waste Management	221,635,424	-		(43,560)	221,591,864	(75,043,585)	(9,782,811)	40,499	(896,299)	(85,682,196)	135,909,668
Water	2,294,840,650	1,383,446	-	(3,798,309)	2,292,425,787	(535,204,359)	(87,496,095)	2,414,601	(3,736,024)	(624,021,876)	1,668,403,910
Under Construction	561,855,303	-	189,457,163	-	751,312,466		-	-			751,312,466
Other	3,141,236	40,114,920		(15,900)	43,240,256	(1,892,523)	(6,756,268)	13,660	-	(8,635,131)	34,605,125
Total	**3,139,623,929**	**53,617,243**	**189,457,163**	**(5,816,642)**	**3,376,881,693**	**(631,035,275)**	**(109,147,083)**	**3,764,535**	**(4,656,426)**	**(741,074,248)**	**2,635,807,443**

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX D
UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2020

2019 Actual Income R	2019 Actual Expenditure R *Restated*	2019 Surplus / (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus / (Deficit) R
21,296,272	16,087,120	5,209,152	Executive & Council	23,469,791	28,235,801	(4,766,010)
151,575,487	199,680,046	(48,104,559)	Finance & Admin	192,896,547	257,580,395	(64,683,848)
319,458,111	161,828,437	157,629,675	Planning & Development	11,551,655	148,210,548	(136,658,893)
64,122,564.47	29,864,954	34,257,611	Community & Social Services	39,971,951	36,050,384	3,921,567
105,978,210	31,763,204	74,215,007	Waste Management	184,428,861	66,537,443	117,891,419
325,453,879	362,063,467	(36,609,588)	Water	658,453,654	435,863,444	222,590,210
987,884,524	**801,287,227**	**186,597,296**	**Total**	**1,110,772,460**	**972,478,015**	**138,294,444**